



St Helena Government

Financial Statements

2016/2017

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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1.0 Financial Secretary's Report

1.1 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.

1.2 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.

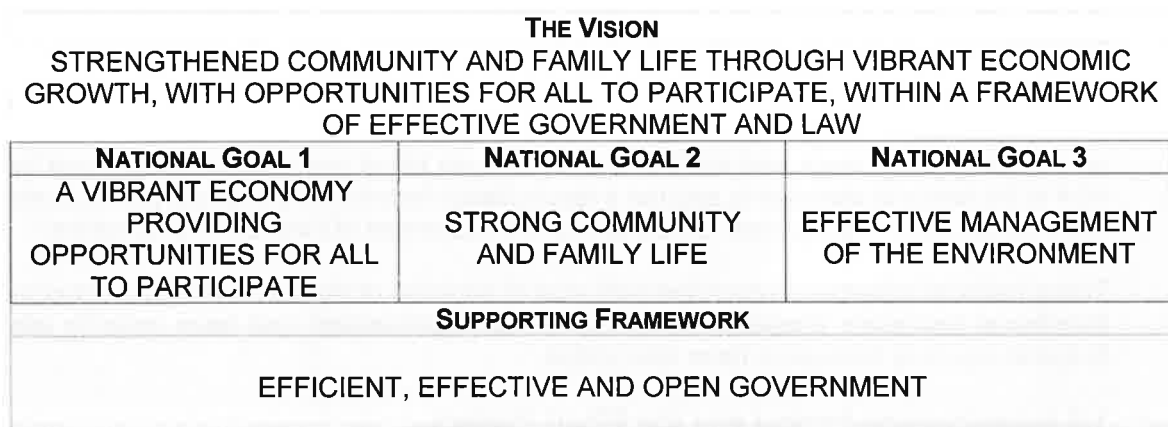
SHG's principle activity is the provision of essential public services, which include Health, Safeguarding, Education, Environmental and Natural Resources, Policing and Access.

SHG receives a significant proportion of its funding each year from the UK Government, through the Department for International Development (DfID). The Financial Aid Mission team (FAM), 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 2016/17 was agreed.

1.3 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:



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 2016, enacted by the Governor of St Helena on the advice and consent of Legislative Council sets out the approved budget for Directorates in the financial year commencing 1 April 2016.

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

1.4 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; and
- Statement of Comparison of Budget and Actual Amounts.

The core financial statements are shown in sections 4.0 to 8.0, 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 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, applying the International Public Sector Accounting Standards (IPSAS) for the accrual basis of accounting.

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. These financial statements represent the entity only and do not comply with this requirement of the reporting framework as it was not possible to prepare consolidated financial statements by the July 2017 submission date to allow them to be audited alongside these financial statements. This is due mainly to the audited financial statements of the controlled entities not being available.

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 10.4 to the financial statements sets out a reconciliation between the financial performance reported in the March 2017 management accounts and the Statement of Financial Performance.

These financial statements report the sixth year of adoption of the accruals basis of accounting. The transitional provisions available within IPSAS for organisations that have recently adopted this financial reporting framework have now ended.

1.5 Infrastructure Project and the Wharf Project

These two key infrastructure projects Saint Helena's first airport and a new wharf at Rupert's Bay were taken over during 2016/17.

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 £13,562k in 2016/17 (£14,361k in 2015/16). This means that 21% of the reported total revenue in 2016/17 (23% in 2015/16) 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 2017 is £235,854k (£226,581k at 31 March 2016). SHG's total Funds and Reserves at 31 March 2017 including the Aid Funded Infrastructure Reserve is £249,799k (£250,754k at 31 March 2016).

The Assets under Construction balance has reduced significantly from the previous year to £86,336k (£220,882k at 31 March 2016). This is due to works being completed on the Airport and Wharf Infrastructure Project and these assets being handed over to SHG in May 2016. This has resulted in a movement of £157,838k from Assets under Construction to various Property, Plant and Equipment categories during 2016/17. These movements can be seen in note 11.7 to these financial statements. These assets make up over 26.3% of the gross value 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. £6,304k of the reported prepayments total of £7,497k at 31 March 2017 was in relation to the two projects (£14,520k of the reported prepayments total of £16,045k at 31 March 2016).

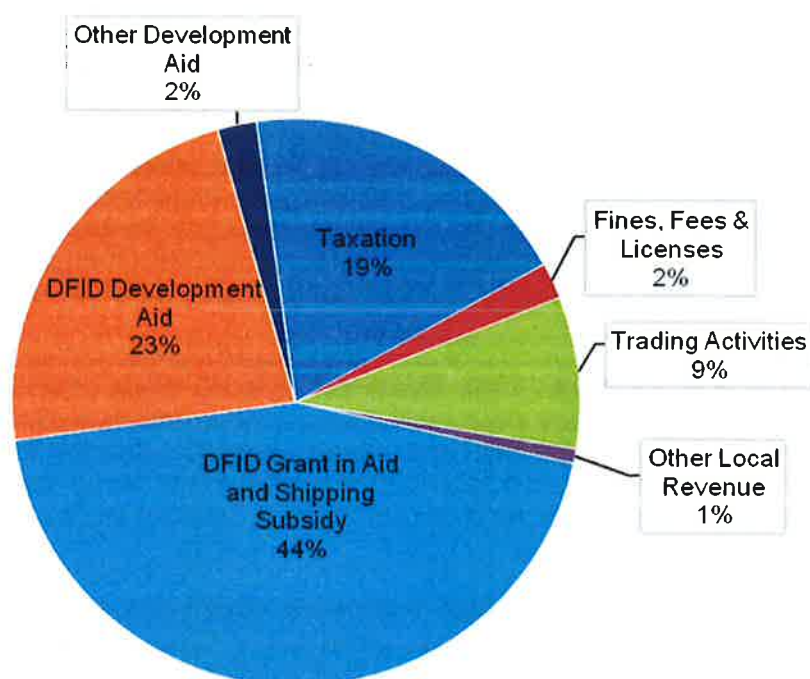
1.6 Statement of Financial Performance

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 10.1 and 10.2 to the financial statements show a breakdown of revenue and expenditure by category.

1.6.1 Revenue

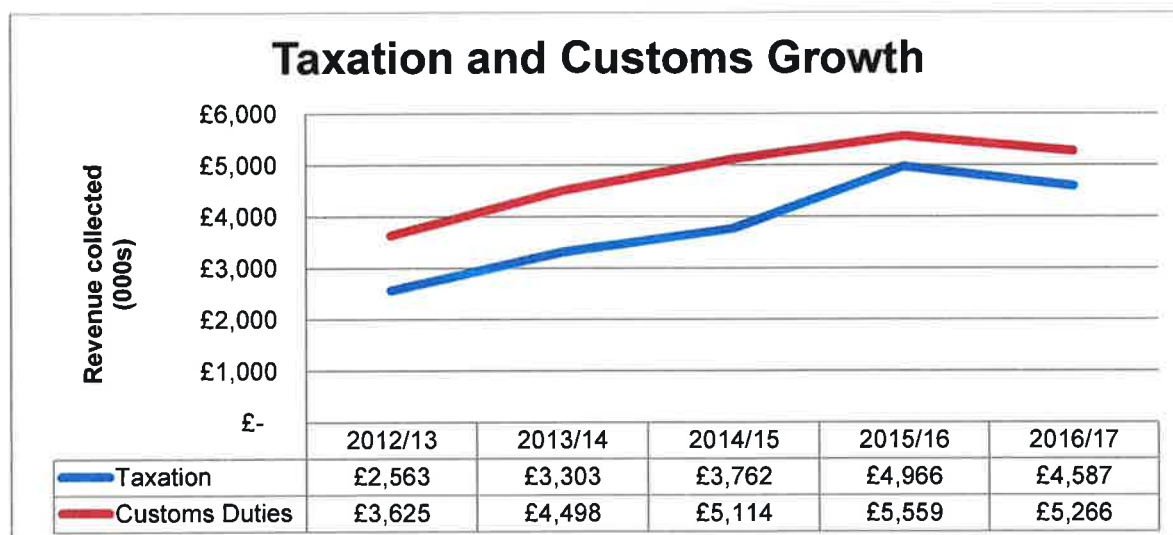
The Statement of Financial Performance shows that total revenue in 2016/17 was £65,610k (£61,855k in 2015/16), an increase of £3,755k from 2015/16. The statement contains a number of non-cash items in order to comply with proper accounting practice, these include the Non-exchange DfID Infrastructure Aid Funding, as well as Movements in Non-current Investments. After excluding non-cash items, total revenue in 2016/17 was £51,601k (£46,766k in 2015/16). The increase in revenue is largely due to increased DfID Grant in Aid as additional funding was granted by DfID to support the management of the airport contract and air service procurement.

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 £463k lower than the original budget for this financial year.

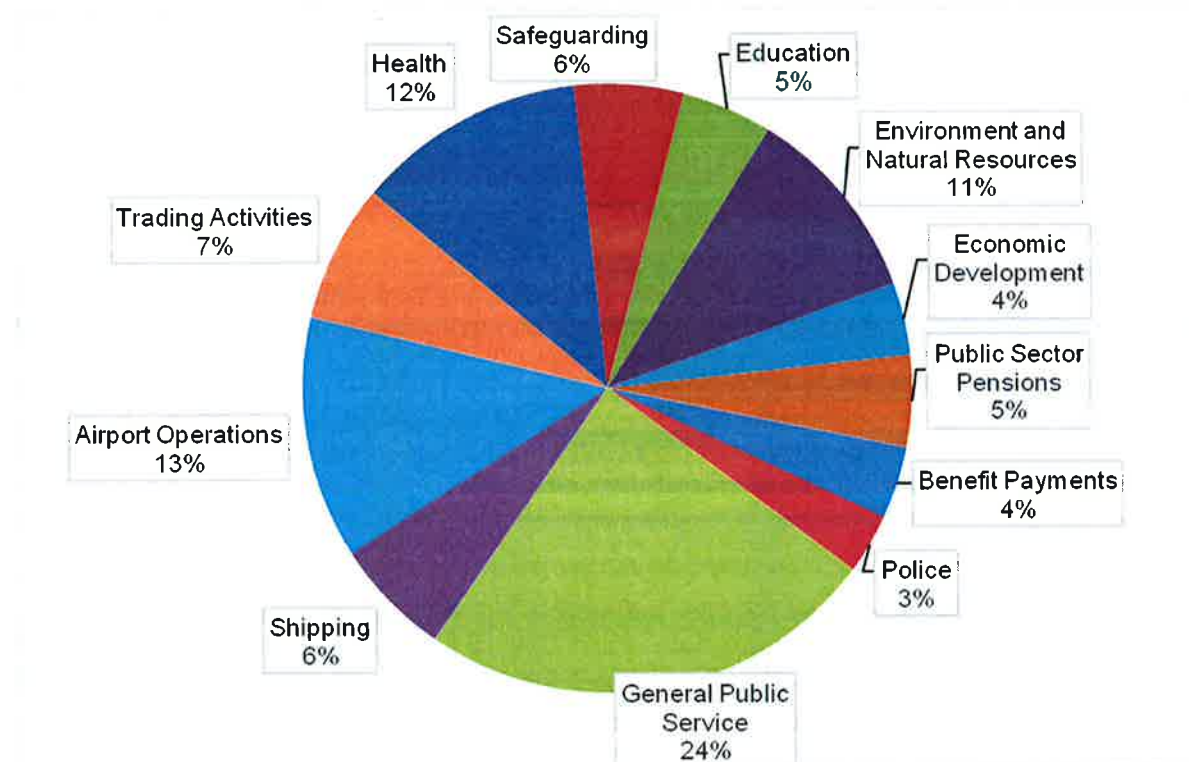
Revenue budgets were developed for Taxation and Customs Duties based on a series of detailed discussions and an agreed macro-economic model adjusted for changes in policies. The model was developed by the Government Economist for economic forecasting, and is expected to provide a consistent basis on which to estimate future tax revenues. The following chart shows the revenue collected from Taxation and Customs Duties over the past five years.



1.6.2 Expenditure

The Statement of Financial Performance shows that total expenditure in 2016/17 was £65,876k (£44,240k in 2015/16), an increase of £21,636k from 2015/16.

The following chart shows how total expenditure in 2016/17 was distributed by Head of Expenditure:



The Statement of Financial Performance shows an overall deficit (total revenue less total expenditure) for 2016/17 of £266k (surplus of £17,615k in 2015/16). After removing non-cash revenues (listed above) the overall deficit was £14,136k in 2016/17 (surplus of £2,526k in 2015/16).

The overall deficit is analysed and allocated between the Consolidated Fund and Special Funds in 8.1 Statement showing each head of expenditure paid out of and each category of revenue accruing to the Consolidated Fund.

1.7 Statement of Financial Position

The Statement of Financial Position summarises the financial position of SHG at 31 March 2017 and shows the net worth of SHG's assets and liabilities of £249,799k. 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 £312,645k, an increase of £24,555k from 31 March 2016. 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 recognition of land and buildings.

Current Assets have decreased in year by £12,187k. This is due largely to a net decrease in Prepayments in relation to the Airport Infrastructure Project (£8,216k) and a decrease in Recoverables from Non-Exchange Transactions (£2,037k) due to the grant from the European Commission.

Current Liabilities have increased by £874k due to accrued expenditure for operational expenses and Non-current Liabilities have increased by £12,449k due to the increase in the Actuarial Pension Liability (see Note 11.14 for further details) and £4,468k of long-term provisions.

1.8 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; and
- Special Funds.

1.8.1 Consolidated Fund

The Consolidated Fund is analysed into eight reserves and an explanation of each of the reserves along with a detailed analysis of the movements on each reserve is shown in Note 11.15 to the financial statements.

At the 31 March 2017 the Statement of Changes in Net Assets/Reserves shows that the balance on the Consolidated Fund was £244,344k (£244,172k at 31 March 2016). This is broadly in line with the previous year.

1.8.2 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 11.15.2 to the financial statements.

At the 31 March 2017 the Statement of Changes in Net Assets/Reserves shows that the balance of Special Funds was £5,455k (£6,582k at 31 March 2016).

1.9 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 £452k in year.

1.10 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 10.3 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 2017 management accounts.

1.11 Capital Expenditure

During the financial year SHG received financial support from external bodies, including DfID, for particular capital projects.

Additions of Property, Plant and Equipment in 2016/17 totalled £1,733k (excluding Airport Infrastructure and Wharf Project additions included within Assets under Construction). This is lower than in previous years and represents the purchase of 17 new motor vehicles, a crane and a reach stacker as part of the Rupert's Valley development and other small items of plant, machinery and equipment.

1.12 General Reserves

Following year end processes for 2016/17 it was identified that the General Reserve had a deficit of £714k at the 31 March 2017. A review was conducted internally and financial management control issues were identified within Corporate Finance and across directorates that will be addressed in 2017/18 and 2018/19 financial years. A number of proposals for replenishing the fund have been considered and will be affected.

The General Reserve has been replenished in 2017/18 by a transfer of £0.77M from the BFI Trading Account Special Fund and £1M from the EDF Special Fund and a transfer from the Currency Fund General Reserve of £0.5M. It is also the intention that the disposal proceeds from the RMS St Helena will be paid into the Consolidated Fund further increasing the balance and providing greater resilience in dealing with any future in year exogenous shocks beyond the control of SHG.

1.13 Statutory Basis for Financial Statement preparation

The Constitution of St Helena has been drafted on the basis of Cash Accounting, SHG introduced Accruals Accounting in 2011/12 and have adopted the International Public Sector Accounting Standards (IPSAS) framework. There is a mis-match between the requirements of the Constitution (cash basis) and basis of the Financial Statement preparation (Accruals IPSAS) which is making the comparison between the SHG Budget (produced on a modified cash basis) and the IPSAS compliant Financial Statements very difficult for the user of this information.

Whilst it is intended to introduce an accruals based budget in 2019/20 which will help to improve the comparability of the budget to the financial statements, the root cause of the problem will need a significant change to the primary legal position of SHG through a change in the constitution and the Public Finance Ordinance (PFO). If there cannot be a significant change to the constitution and the Public Finance Ordinance there remains the challenge of this mis match of information and there will continue to be an inefficient financial control framework.

Further work will be done in 2018/19 to address these concerns through working with elected members to request the necessary changes to primary legislations and ultimately a modification of the Constitution.

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



Dax Richards
Financial Secretary



SAINT HELENA AUDIT SERVICE

External Auditors

INDEPENDENT AUDITOR'S REPORT

To the Members of Legislative Council

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the financial statements of St Helena Government (SHG), which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets and reserves, statement of cash flows, and statement of comparison of budget and actual amounts, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matters described in 1 and 2 below, the accompanying financial statements present fairly, in all material respects, the financial position of SHG as at 31 March 2017, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Qualified Opinion

1. Infrastructure Valuation

Aid funded infrastructure amounting to £236.992m at 31 March 2017 (£217.640m at 31 March 2016) reported within Property Plant and Equipment in the Statement of Financial Position, and forming part of infrastructure, roads infrastructure and assets under construction in Note 11.7, is measured on an earned value basis – being the cost of works completed under the current contract. IPSAS 17, *Property Plant and Equipment* and IPSAS 23, *Non-Exchange Transactions* require that such aid funded assets and related revenues are measured at replacement cost. Note 9.3.5 explains there is a high degree of estimation uncertainty associated with the valuation of the airport, wharf and roads infrastructure.

As also explained in Note 9.3.5 management assessed the value of roads infrastructure, to be recognised at cessation of transitional provisions under IPSAS 17, at nil net book value, being cost less accumulated depreciation. Management was unable to provide sufficient adequate evidence to confirm the basis for initial recognition of the roads infrastructure at nil value.

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:

- (i) the use of an estimate based on earned value; and,
- (ii) the initial recognition of roads infrastructure at nil value

would give rise to a material misstatement, and whether any adjustment was necessary to the reported value of Property, Plant and Equipment in Note 11.7 and associated reserves in the Statement of Financial Position, and to the recognition of Non-Exchange Infrastructure Aid Funding in the Statement of Financial Performance.

2. Special Funds

Note 11.15.2.1 reports the balances and movements on Special Funds established by order to enable individual projects to be accounted for separately to the Consolidated Fund. I was unable to secure adequate appropriate evidence regarding the transactions and balances on the DFID Project Fund at £3.328m overdrawn, and the DFID Infrastructure Fund at £2.297m in-hand, and the EDF Projects Fund at £1.386m in-hand at 31 March 2017, either from management or by using alternative audit procedures. In these circumstances, I am unable to determine whether any adjustments are necessary to Special Fund balances in Note 11.15.2.1 and reported in the Statement of Financial Position.

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of SHG in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and I have fulfilled my other ethical responsibilities in accordance with the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material Uncertainty Related to Going Concern

I draw attention to Note 9.1.2 in the financial statements which indicates that SHG is reliant on recurrent funding through UK grant-in-aid for the continued operation of public services in St Helena. Whilst there is a documented commitment by DFID to provide financial assistance for the three-year period 1 April 2016 through to 31 March 2019 the amount of grant-in-aid for the final year to 31 March 2019 has yet to be finalised. In the absence of sufficient grant-in-aid and with depleted usable reserves SHG would not be in a position to meet its liabilities as they fall due within the foreseeable future without significant curtailment of services. As stated in Note 9.1.2 these circumstances indicate that a material uncertainty exists which may cast doubt on SHG's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Other Information

Management is responsible for other information. The other information includes the Financial Secretary's Report and the Annual Governance Statement but does not include the financial statements and my audit report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

In connection with my audit of the financial statements my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed I conclude there is a material misstatement of this other information I am required to report the fact. I have nothing to report in this regard.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Except for the matters described in the above sections on Basis for Qualified Opinion, and Material Uncertainty Relating to Going Concern, I have identified the following key audit matter to communicate in my report.

Valuation of Public Assets

The cessation of transitional provisions since first time adoption of IPSAS required SHG to account for the value of public assets within the financial statements. Previously excluded from the accounts under transitional provisions and therefore requiring valuation were those assets held by SHG prior to 1 April 2011.

I identified the valuation of public assets as representing a significant risk in my audit of the financial statements due their materiality and estimation uncertainty involved. I applied audit procedures responsive to the identified risk which focussed upon the qualifications of the management expert, the reasonableness of the valuation assumptions used, and suitability of the methodology applied to determine a fair value of the public assets to be recognised.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing SHGs ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Those charged with governance are responsible for overseeing SHGs financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I also 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Annex A. This description forms part of my auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Auditor's Other Responsibilities arising from Law and Regulation

Section 29(1)(b)(i) of the Public Finance Ordinance requires me to assess whether in all material respects the expenditure and income have been applied to the purposes intended and conform to the authorities which govern them; and whether the accounts and financial statements have been prepared in accordance with all relevant laws and policies.

Qualified Opinion on Regularity

In my opinion, except for the matters described in 3 and 4 below, in all material respects the expenditure and income has been applied to the purposes intended, and conforms to the authorities which govern them.

Basis for Qualified Opinion on Regularity

3. Excess Expenditure

For 2016/17 Legislative Council authorised total budgeted expenditure from:

- Head 12: Corporate Support Policy and Planning of £1,355,000
- Head 23: Health of £5,070,000 (recurrent) and £43,000 (capital)
- Head 26: Environment and Natural Resources of £3,100,000

As summarised in the Note 10.3 to the financial statements the actual expenditures on these heads were £1,377,161, £5,180,996, £72,821 and £3,233,555 respectively, resulting in expenditure in excess of authority amounting to £22,161, £110,996, £133,555 and £72,821 respectively.

4. Pensions Increase

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 4.74% with effect from 1 April 2016 contained no reference to the decision to award a 2.75% 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.

Adverse Opinion on Other Matters Required by Statute

In my opinion, because of the significance of the statutory non-compliance described in 5 below, the financial statements have not been prepared in accordance with all relevant laws or policies.

Basis for Adverse Opinion on Other Matters Required by Statute

5. Group Financial Statements

Section 10(1) of the Public Finance Ordinance requires the financial statements to be prepared in a manner consistent with the IPSAS. IPSAS require an explicit and unreserved statement of compliance to be made. As disclosed in Note 9.1, and contrary to the requirements of IPSAS 6, *Consolidated and Separate Financial Statements*, SHG has not prepared consolidated financial statements for the economic entity that incorporate the results of the entire group.



Phil Sharman
Chief Auditor CA CPFA

St Helena Audit Service
Post Office Building, Jamestown, St Helena Island, South Atlantic Ocean, STHL 1ZZ

28 March 2018

ANNEX A TO THE INDEPENDENT AUDITORS REPORT

Further description of the auditor's responsibilities for the audit of the financial statements

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SHG's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on SHG's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause SHG to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

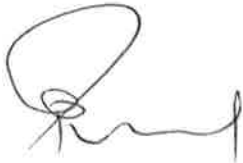
From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

3.0 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.



Dax Richards
Financial Secretary

28 March 2018



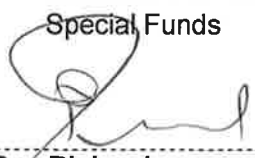
4.0 Statement of Financial Performance for the year ended 31 March 2017

	Note	2016/17 £000	Restated 2015/16 £000
REVENUE	10.1		
Taxation		9,854	10,525
Fines, Fees and Licenses		1,069	1,007
Other Local Revenue		430	444
Trading Activities		4,455	5,096
Movements in Non-current Investments		447	728
DfID Grant in Aid and Shipping Subsidy		22,916	19,271
DfID Development Aid		11,739	5,848
Other Development Aid		1,138	4,515
Non-exchange Donated Asset Funding		0	60
Non-exchange DfID Infrastructure Aid Funding		13,562	14,361
Total Revenue		65,610	61,855
EXPENDITURE	10.2		
Health		7,998	5,717
Safeguarding		3,809	3,709
Education		3,146	2,875
Environment and Natural Resources		6,971	6,912
Economic Development		2,511	2,437
Public Sector Pensions		3,212	2,943
Benefit Payments		2,528	2,266
Police		2,109	2,037
General Public Service		16,179	8,845
Shipping		4,148	1,261
Airport Operations		8,456	0
Trading Activities		4,809	5,238
Total Expenditure		65,876	44,240
SURPLUS/(DEFICIT) FOR THE PERIOD		(266)	17,615



5.0 Statement of Financial Position as at 31 March 2017

	Note	31 March 2017 £000	Restated 31 March 2016 £000
ASSETS			
Current Assets			
Cash & Cash Equivalents	11.1	2,903	3,355
Investments	11.2	2,503	5,133
Recoverables from Non-exchange Transactions	11.3	2,434	4,471
Receivables	11.4	2,815	2,013
Inventories	11.5	2,565	1,887
Prepayments	11.6	7,497	16,045
		<u>20,717</u>	<u>32,904</u>
Non-current Assets			
Investments	11.2	28,377	26,107
Receivables	11.4	128	115
Property, Plant & Equipment	11.7	284,140	261,868
		<u>312,645</u>	<u>288,090</u>
Total Assets		<u>333,362</u>	<u>320,994</u>
LIABILITIES			
Current Liabilities			
Payables	11.12	9,956	9,032
Provisions	11.13	363	413
		<u>10,319</u>	<u>9,445</u>
Non-current Liabilities			
Pension Liabilities	11.14	68,776	60,795
Provisions	11.13	4,468	0
		<u>73,244</u>	<u>60,795</u>
Total Liabilities		<u>83,563</u>	<u>70,240</u>
NET ASSETS		<u>249,799</u>	<u>250,754</u>
FUNDS AND RESERVES			
Consolidated Fund	11.15	244,344	244,172
Special Funds	11.15	5,455	6,582
		<u>249,799</u>	<u>250,754</u>


Dax Richards
Financial Secretary
28 March 2018



6.0 Statement of Changes in Net Assets/Reserves for the year ended 31 March 2017

	Restated Consolidated Fund £000	Restated Special Funds £000	Total Reserves £000
Balance at 1 April 2015	204,059	6,595	210,654
<u>Changes in Net Assets/Reserves:</u>			
Surplus for the Period	11,258	14	11,272
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
Ending of Transitional Arrangements	33,491	0	33,491
Unrealised Loss on Current Investments	(15)	0	(15)
Balance at 31 March 2016	244,172	6,582	250,754
<u>Changes in Net Assets/Reserves:</u>			
Surplus/ (Deficit) for the Period	4,147	(201)	3,946
Funds Received	0	12,344	12,344
Funds Applied	0	(10,881)	(10,881)
Use of Funds to Finance Capital Expenditure	3,374	(3,374)	0
Actuarial Losses	(6,360)	0	(6,360)
Transfers	(986)	986	0
Unrealised Loss on Current Investments	(3)	0	(3)
Balance at 31 March 2017	244,344	5,455	249,799



7.0 Statement of Cash Flows for the year ended 31 March 2017

	Note	2016/17 £000	Restated 2015/16 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the Period		(266)	17,615
Interest Received	10.1	(89)	(79)
<u>Non Cash Movements</u>			
Recognition of Non-exchange DfID Infrastructure Aid Funding	10.1	(13,562)	(14,361)
Depreciation	10.2	7,802	1,638
Impairment of Non-current Assets	10.2	6	1,116
Net Gain on Disposal of Non-current Assets	10.1	(144)	(87)
Share of Profit of Subsidiaries	10.1	(447)	(728)
Difference in Pensions Earned and Benefits Paid Relating to the Defined Benefit Pension Scheme	11.14	1,621	1,370
Movements in Working Capital	12.1	6,204	(3,117)
Net Cash Flows from Operating Activities		1,125	3,367
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend Received	11.2.2	20	25
Interest Received	11.4	101	83
Capital Expenditure		(3,244)	(5,766)
Proceeds from the Sale of Non-current Assets		742	111
Investment in Subsidiary		1,500	0
(Increase)/ Decrease in Investments		(696)	1,786
Net Cash Flows from Investing Activities		(1,577)	(3,761)
NET CASH FLOW FOR THE FINANCIAL YEAR		(452)	(394)
Cash & Cash Equivalents at 1 April		3,355	3,749
Net Cash Flows		(452)	(394)
Cash & Cash Equivalents at 31 March		2,903	3,355



8.0 Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2017

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 2017 management accounts, which is on a comparable basis to the budget is shown below.

Appropriated	Recurrent Expenditure			Revenue		
	Original Budget £000	Final Budget £000	Actual £000	Original Budget £000	Final Budget £000	Actual £000
Corporate Support, Policy and Planning	1,267	1,355	1,377	222	222	236
Human Resources	8,495	8,010	7,863	0	0	0
Police	1,246	1,272	1,268	343	343	271
Corporate Finance	4,401	5,772	5,698	34,199	34,199	33,693
Economic Development	1,100	1,100	1,100	0	0	0
Shipping	681	2,382	2,158	0	0	0
Education	3,021	3,021	2,999	270	270	274
Health	5,570	5,070	5,181	694	694	745
Environment and Natural Resources	3,099	3,100	3,234	509	520	559
Safeguarding	3,754	3,544	3,492	74	74	81
	32,634	34,626	34,370	36,311	36,322	35,859
				Surplus		1,491

Appropriated	Capital Expenditure		
	Original Budget £000	Final Budget £000	Actual £000
Corporate Support, Policy and Planning	0	45	45
Police	0	14	11
Economic Development	0	1,500	1,500
Health	0	43	116
Environment and Natural Resources	0	20	5
	0	1,622	1,677

Non-appropriated

	Recurrent Expenditure		
	Original Budget £000	Final Budget £000	Actual £000
Pensions and Benefits *	3,677	3,677	3,483
Litigation claims	0	0	4,520
	3,677	3,677	8,003
TOTAL EXPENDITURE	36,311	39,925	44,048

* The budget 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 2016 to 31 March 2017.

Appropriation Ordinance, 2016, 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 2016. 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 Note 10.3 Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows for the year ended 31 March 2017 is presented below.

	Operating £000	Investing £000	Net Cash Flow £000
Surplus in Comparable Basis as Presented in the Budget and Actual Comparative Statement	1,491	0	1,491
Basis Differences	(2,075)	2,124	50
Entity Differences	1,708	(3,702)	(1,993)
Actual Amount in the Statement of Cash Flows	1,125	(1,577)	(452)

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.

The Comparison of Budget and Actual Amounts note within these 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 actual expenditure and revenue.

8.1 Statement showing each head of expenditure paid out of and each category of revenue accruing to the Consolidated Fund and Special Funds

	Consolidated Fund 2016/17 £000	Special Funds 2016/17 £000	Total 2016/17 £000
REVENUE			
Taxation	9,854	0	9,854
Fines, Fees and Licences	1,069	0	1,069
Other Local Revenue	265	165	430
Trading Activities	0	4,455	4,455
Movements in Non-current Investments	447	0	308
DfID Grant in Aid & Shipping Subsidy	22,916	0	22,916
DfID Development Aid	166	11,573	11,739
Other Development Aid	0	1,138	1,138
Non-exchange DfID Infrastructure Aid Funding	13,562	0	13,562
Total Revenue	48,279	17,331	65,471
EXPENDITURE			
Health	7,623	375	7,998
Safeguarding	3,768	41	3,809
Education	3,146	0	3,146
Environment and Natural Resources	3,711	3,260	6,971
Economic Development	1,100	1,411	2,511
Public Sector Pensions	3,201	11	3,212
Benefit Payments	2,528	0	2,528
Police	2,043	66	2,109
General Public Service	14,238	1,941	16,040
Shipping	4,148	0	4,148
Airport Operations	4,289	4,167	8,456
Trading Activities	0	4,809	4,809
Total Expenditure	49,794	16,081	65,737
SURPLUS/(DEFICIT) FOR THE PERIOD	(1,516)	1,250	(266)

9.0 Written Notes to the Financial Statements

9.1 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. 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.

In all other respects, SHG and these Financial Statements comply with the required IPSAS reporting framework requirements

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

9.1.2 Going Concern

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. Management concludes that preparation of the financial statements on a going concern basis is appropriate.

The UK Government has a responsibility to meet the reasonable assistance needs of St Helena and its residents, and whilst there is a material uncertainty around the level of DFID support for 2018/19, the 3 year Memorandum of Understanding (MOU) 2016/17 – 2018/19 provides assurances to management that the government can continue as a going concern without significant curtailment of services and functions.

9.1.3 Changes in Accounting Policy

Up until 31 March 2016, SHG took advantage of a transitional provision which excluded the need for revaluations of its land and property assets under IPSAS 17 *Property, Plant & Equipment*. Now that this provision has ended, SHG has contracted professional valuers to provide a valuation of the land and building assets. These valuations were carried out as at 31 March 2016 and have been applied to restated 2015/16 financial statements. The change in accounting policy is therefore that land and building assets are now being carried at a revalued fair value amount. Alongside this, the range of estimated useful economic life years has changed in line with the recommendations of the professional valuers.

Following the lapse of the transitional provision relating to IPSAS 23 *Revenue from Non Exchange Transactions* in 2016/17, income tax (comprising Pay As You Earn, self employed and corporation taxes) and customs and service tax revenues due but not received during the reporting period, have been accounted for as accrued income. This is a change to the accounting policy as previously it was reflected in these financial statements on a cash basis.

9.2 Principal Accounting Policies

9.2.1 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.

9.2.1.1 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.

9.2.1.2 Measurement

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.

9.2.1.3 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:

Class of Asset	Estimated Useful Economic Life (Years)
Land & Buildings (Land element not subject to Depreciation)	5-200
Infrastructure	15-120
Infrastructure - Roads	20-40
Plant & Machinery, Equipment, Motor Vehicles and Furniture & Fittings	5-20
Computer Hardware and Software	5
Ships	1-2

9.2.1.4 Revaluations

Revaluations apply to the following classes of assets:

- Land & Buildings
- Infrastructure
- Ships

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.

Up until 31 March 2016, SHG took advantage of a transitional provision which excluded the need for revaluations of its land and property assets. Now that this provision has ended, SHG has contracted professional valuers to provide a valuation of the land and building assets. These valuations were carried out as at 31 March 2016 and have been applied to restated 2015/16 financial statements.

9.2.1.5 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.

9.2.1.6 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.

9.2.1.7 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.

9.2.1.8 Biological Assets

IPSAS 27 *Agriculture* is the accounting treatment and disclosures related to agricultural activity. This is the management by SHG of the biological transformation of living animals or plants (biological assets) for sale, or for distribution at no charge or for a nominal charge or for conversion into agricultural produce or into additional biological assets. Whilst SHG owns and maintains large amounts of national forest on the island, they are considered to be for the provision or supply of services and as such, fall outside the scope of IPSAS 27.

9.2.2 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.

9.2.3 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.

9.2.4 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.

9.2.5 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 13.0 Controlled Entities section of these Financial Statements. 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.

9.2.6 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).

9.2.7 Recognition and basis of measurement

9.2.7.1 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.

9.2.7.2 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.

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.

9.2.7.3 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.

9.2.8 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.

9.2.9 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.

9.2.10 Pension and Retirement Benefits

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

9.2.10.1 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 the Key Estimation Assumptions note to these Financial Statements.

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.

9.2.10.2 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 are accounted for as a charge to the Consolidated Fund when the contribution is contractually due and will be paid directly to the employees' pension account.

9.2.11 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 the Funds & Reserves note 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.

9.2.12 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.

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 is 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 has not been paid for by the reporting date have been accounted for as Accrued Expenses.

Following the lapse of the transitional provision relating to IPSAS 23 *Revenue from Non Exchange Transactions* in 2016/17, income tax (comprising Pay As You Earn, self employed and corporation taxes) and customs and service tax revenues due but not received during the reporting period, have been accounted for as accrued income.

9.2.13 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.

9.2.14 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.

9.2.15 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.

Standard, amendment or interpretation	Period effective
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
IFRS 9 – Financial Instruments	2020/21

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

9.3 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:

9.3.1 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 2017:

Assumption	31 March 2017 % a year	31 March 2016 % a year
Rate of Return (Discount Rate)	1.8	2.2
Rate of Pension Increases	3.5	3.5
Rate of Pay Inflation	3.5	3.5
Rate of Return in excess of:		
Pension Increases	-1.7	-1.3
General Pay Increases	-1.7	-1.3

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 2017 (1.8% pa).

The proposed reductions in the rates of return in excess of pay, pension and deferred pension increases would, on their own, significantly increase the value of the liabilities compared to the 2016 valuation results.

The assumed rates of pension increases and pay inflation are the same as those assumed for the previous valuation. This reflects recent practice in respect of pension increases and changes to the award of pay increases.

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 0.50% in excess of salary increases would increase the liability by £1.788m.
- A rate of return 0.50% in excess of pension increases, and revaluation in deferment would increase the liability by £6.327m.

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

Life expectancy at age 60	As at 31 March 2017		As at 31 March 2016	
	Men (years)	Women (years)	Men (years)	Women (years)
Current Pensioners	24.8	28.5	24.7	28.4
Future Pensioners*	26.4	30.0	26.3	29.9

*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 2017 is £68,776k (31 March 2016 £60,795k). Full details of movements in the liability can be found in the Pensions Note to these Financial Statements. It is anticipated that the next full valuation will be obtained no earlier than March 2019.

9.3.2 Provisions

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

9.3.3 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 the Receivables note.

9.3.4 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 the Inventories note.

9.3.5 Fair Value Estimation

9.3.5.1 Airport Infrastructure Project

Construction of an international airport on St Helena commenced in late 2011 and is not expected to be completed until the 2017/18 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 currently 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.

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.

In May 2016 control of £139.7m of airport assets was given to SHG. These have been depreciated for the financial year under the relevant accounting policy. The estimated remaining carrying value of the airport as at the reporting date reported within Assets Under Construction is £66.7m (31 March 2016 £184.6m).

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 2017/18 financial year, management does not anticipate that any such material adjustment would be recognised until at least 2017/18.

9.3.5.2 Wharf Project

Work commenced on Rupert's 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.

In May 2016 control of £18.1m of wharf assets was given to SHG. These have been depreciated for the financial year and leave a net book value of £17.9m reported in the Property, Plant & Equipment note as at 31 March 2017. The remaining estimated carrying value of the wharf as at the reporting date, reported within Assets Under Construction is £15.9m (31 March 2016 £33.1m).

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.

9.3.5.3 Land and Buildings

In 2015/16, all assets in the Land & Buildings category were revalued. Valuations were carried out externally by independent valuers D M Hall Chartered Surveyors, Edinburgh, United Kingdom. Valuations of land and buildings were carried out in accordance with methodologies and basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Therefore the valuations have been prepared in accordance with RICS Valuation Professional Standards UK January 2015 (as amended) and International Public Sector Accounting Standards. All of the valuations carried out by D M Hall Chartered Surveyors are in respect of land and buildings and, as such, the IPSAS Advisory Board considers that the most appropriate measure of operational property should be based on the service potential that the assets support in the services provided by the government.

UK Valuation Standard 3.3 Appendix 5 directs that the IFRS Code requires the following values to be reported – for operational land and buildings, current value falls to be interpreted as the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of Existing Use Value in accordance with UKVS 1.3, EUV- SH (social housing) in accordance with definition in paragraph 1.6 UKVS or by adopting the depreciated replacement cost (DRC) approach in accordance with UKVS 1.15. The Government Landlord Housing portfolio was valued as per IFRS 13 on Existing Use Value - Social Housing (EUV-SH) (para 1.6 UKVS). Additionally UKVS 3.7 directs that the appropriate valuation method for dwellings under EUV-SH is the Beacon Approach (Adjusted Vacant Possession).

Where evidence of market transactions was available, and appeared to be robust and relevant, this was used in arriving at the opinions of value for the relevant valuations, both in terms of capital sales, and rental information. However the majority of values for the operational properties were derived from the DRC (Depreciated Replacement Cost) approach, which for the avoidance of doubt is cost-based rather than utilising comparable evidence.

9.3.5.4 Roads Infrastructure

SHG holds island-wide historical road assets and part of the new airport access road asset. The historical roads infrastructure is based upon management's estimate of the deemed cost. This was conducted as an internal exercise and due to the age and bad condition of the roads, the decision was taken to fully depreciate the roads on the day of valuation.

New roads infrastructure assets are held at cost until such time as a revaluation is due. These assets are depreciated using the straight-line method and have an estimated useful economic life of 20 years.

9.3.5.5 RMS St. Helena

The airport construction was completion in 2016/17, but commercial flights were yet to commence. As a result of this, the RMS St Helena had yet to be decommissioned. As at 1 April 2016, the RMS St Helena was given an estimated remaining useful life of 2 years. An up to date estimated valuation has been provided by St Helena Line and C W Kellock & Co. Ltd, London. As part of the process for sale, in their professional opinion, an achievable target figure for a sale in the current market place could be around \$4m. The date of this valuation was June 2017. No international valuation standards exist for the valuing of ships and so SHG contracted a recognised ship broker and valuer for a market value. The RMS St Helena is a one-off vessel and difficult to value via normal databases. C W Kellock were able to establish a possible target market valuation by looking at vessels sold of a similar size, age, type and price. Other assumptions taken in to account were the ongoing interest in the vessel during its extended period in service.

9.3.6 Useful lives of Property, Plant and Equipment

The estimated useful economic life of land and building assets were considered and changed as necessary following the revaluation by the professional valuers. For all other classes of asset, they 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.

9.4 Restatement of Prior Period Figures

During the review process of these financial statements, it was found necessary to make two restatements to the figures published and audited for 2015/16.

- The transitional arrangement in respect of income tax and service tax has come to an end. IPSAS23 *Revenue from Non-Exchange Transactions* requires revenue to be recognised on an accruals basis. This also has to be applied retrospectively and therefore the financial statements have been amended to show accrued income for 2015/16.
- The transitional arrangement for revaluation of assets ended on 31 March 2016. The asset portfolio was revalued where necessary and these revalued asset amounts were applied to the 2015/16 asset register. This has resulted in the creation of a Revaluation Reserve. During the revaluation process, assets were identified which were subsequently added to the asset register, some duplication of assets was found and, in order to comply with IPSAS17 *Property, Plant & Equipment* separate land elements of the assets was recognised.

The following changes have therefore been applied to these financial statements.

9.4.1 Statement of Financial Performance

	2015/16 As previously reported £000	Income Tax & Service Tax Accrual £000	Property, Plant & Equipment £000	2015/16 Restated £000
REVENUE				
Taxation	10,306	218	0	10,524
Fines, Fees and Licenses	1,008	0	0	1,008
Other Local Revenue	444	0	0	444
Trading Activities	5,096	0	0	5,096
Movements in Non-current Investments	728	0	0	728
DfID Grant in Aid and Shipping Subsidy	19,271	0	0	19,271
DfID Development Aid	5,848	0	0	5,848
Other Development Aid	4,515	0	0	4,515
Non-exchange Donated Asset Funding	60	0	0	60
Non-exchange DfID Infrastructure Aid Funding	14,361	0	0	14,361
Total Revenue	61,637	218	0	61,855
EXPENDITURE				
Health	5,718	0	(1)	5,717
Safeguarding	3,240	0	469	3,709
Education	2,888	0	(13)	2,875
Environment and Natural Resources	6,416	0	496	6,912
Economic Development	2,398	0	39	2,437
Public Sector Pensions	2,943	0	0	2,943
Benefit Payments	2,266	0	0	2,266
Police	2,037	0	0	2,037
General Public Service	8,864	0	(19)	8,845
Shipping	1,261	0	0	1,261
Airport Operations	0	0	0	0
Trading Activities	5,238	0	0	5,238
Total Expenditure	43,269	0	971	44,240
SURPLUS/(DEFICIT) FOR THE PERIOD	18,368	218	(971)	17,615

9.4.2 Statement of Financial Position

	31 March 2016 As previously reported £000	Income Tax & Service Tax Accrual £000	Property, Plant & Equipment £000	Rounding £000	31 March 2016 Restated £000
ASSETS					
Current Assets					
Cash & Cash Equivalents	3,355	0	0	0	3,355
Investments	5,133	0	0	0	5,133
Recoverables from Non-exchange Transactions	4,254	218	0	(1)	4,472
Receivables	2,013	0	0	0	2,013
Inventories	1,886	0	0	1	1,887
Prepayments	16,045	0	0	0	16,045
	<u>32,686</u>	<u>218</u>	<u>0</u>	<u>0</u>	<u>32,904</u>
Non-current Assets					
Investments	26,107	0	0	0	26,107
Receivables	115	0	0	0	115
Property, Plant & Equipment	229,329	0	32,539	0	261,868
	<u>255,551</u>	<u>0</u>	<u>32,539</u>	<u>0</u>	<u>288,090</u>
Total Assets	288,237	218	32,539	0	320,994
LIABILITIES					
Current Liabilities					
Payables	9,032	0	0	0	9,032
Provisions	413	0	0	0	413
	<u>9,445</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,445</u>
Non-current Liabilities					
Pension Liabilities	60,795	0	0	0	60,795
Total Liabilities	70,240	0	0	0	70,240
NET ASSETS	217,997	218	32,539	(1)	250,754
FUNDS AND RESERVES					
Consolidated Fund	211,415	218	32,539	0	244,172
Special Funds	6,582	0	0	0	6,582
	<u>217,997</u>	<u>218</u>	<u>32,539</u>	<u>0</u>	<u>250,754</u>

9.4.3 Statement of Changes in Net Assets/Reserves

	31 March 2016 As previously reported £000	Income Tax & Service Tax Accrual £000	Property, Plant & Equipment £000	31 March 2016 Restated £000
Consolidated Fund				
Balance as at 1 April 2015	204,059	0	0	237,550
<u>Changes in Net Assets/Reserves:</u>				
Surplus for the Period	11,992	217	(951)	11,258
Use of Funds to Finance Capital Expenditure	6,854	0	0	6,854
Actuarial Losses	(11,001)	0	0	(11,001)
Transfers	(474)	0	0	(474)
Ending of Transitional Provisions	0	0	33,491	33,491
Unrealised Gain on Current Investments	(15)	0	0	(15)
Balance at 31 March 2016	211,415	217	32,540	244,172
Special Funds				
Balance as at 1 April 2015	6,595	0	0	6,595
<u>Changes in Net Assets/Reserves:</u>				
Surplus for the Period	14	0	0	14
Funds Received	10,170	0	0	10,170
Funds Applied	(3,817)	0	0	(3,817)
Use of Funds to Finance Capital Expenditure	(6,854)	0	0	(6,854)
Transfers	474	0	0	474
Balance at 31 March 2016	6,582	0	0	6,582
TOTAL RESERVES AT 31 MARCH 2016	217,997	217	32,540	250,754

9.4.4 Statement of Cash Flows

	2015/16 As previously reported £000	Income Tax & Service Tax Accrual £000	Property, Plant & Equipment £000	2015/16 Restated £000
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus for the Period	18,359	218	(961)	17,616
Interest Received	(79)	0	0	(79)
<u>Non Cash Movements</u>				
Recognition of Non-exchange DfID Infrastructure Aid Funding	(14,361)	0	0	(14,361)
Depreciation	1,688	0	(50)	1,638
Impairment of Non-current Assets	93	0	1,023	1,116
Net (Gain)/Loss on Disposal of Non-current Assets	(98)	0	0	(87)
Share of Profit of Subsidiaries	(728)	0	0	(728)
Difference in Pensions Earned and Benefits Paid Relating to the Defined Benefit Pension Scheme	1,370	0	0	1,370
Movements in Working Capital	(2,900)	(218)	0	(3,118)
Net Cash Flows from Operating Activities	3,344	0	23	3,367
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend Received	25	0	0	25
Interest Received	83	0	0	83
Capital Expenditure	(5,743)	0	(23)	(5,766)
Proceeds from the Sale of Non-current Assets	111	0	0	111
(Increase)/Decrease in Investments	1,786	0	0	1,786
Net Cash Flows from Investing Activities	(3,738)	0	(23)	(3,761)
NET CASH FLOW FOR THE FINANCIAL YEAR	(394)	0	0	(394)
Cash & Cash Equivalents at 1 April	3,749	0	0	3,749
Net Cash Flows	(394)	0	0	(394)
Cash & Cash Equivalents at 31 March	3,355	0	0	3,355

9.5 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.

9.5.1 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, DfID Shipping Subsidy and a DfID contribution towards the costs of the addressing the water shortage in 2016/17 totalled £22.9 million (2015/16 £19.3 million), which equated to 60.39% 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).

9.5.2 Key Management Personnel

9.5.2.1 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	£158,779 (2015/16 £160,419)
Number of persons	12 persons (2015/16 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	£245,901 (2015/16 £264,582)
Number of persons	3 persons (2015/16 3 persons)

Aggregate remuneration for Ex Officio Members above includes pension contributions of £14,429 (2015/16 £18,400).

Ex Officio Members are also entitled to a number of allowances, however these are considered to be the reimbursement of expenses and not remuneration.

9.5.2.2 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 2016/17 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.

9.6 Events after the Reporting Date

The financial statements were authorised for issue on 28 March 2018 by the Financial Secretary, Dax Richards. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements have been adjusted in all material respects to reflect the impact of this information.

9.6.1 Non-Adjusting Events

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. For these 2016/17 Financial Statements, there are three non-adjusting events.

1. SHG finances have come under significant pressure over the past 3 financial years. The changing political environment in the UK has seen a squeeze on the SHG budget during a period of significant change on St Helena. We have also seen additional pressure on SHG spending as we look to make progress and manage expectations in key areas such as medical services, safeguarding and social benefits, this all in the lead up to the start of commercial air services in October 2017. As a result of this we now have a depleted Consolidated Fund, General Reserve with a negative closing balance of £714k as at 31st March 2017. However, SHG must continue to operate therefore options to replenish the Consolidated Fund were considered. The Consolidated Fund balance has been replenished by a transfer from of £770k from the BFI Trading Account Fund, £1M from the EDF Projects Fund and a transfer of £500k from the Currency Fund general reserve. The accounting entries for these transfers will be reflected in the Annual Financial Statements for 2017/18.
2. SHG has agreed to act as Guarantor for the St Helena Fisheries Corporation with Connect St Helena Ltd (Connect). This is to ensure that Connect continues to provide utilities to the Fisheries Corporation. SHG has agreed to pay to Connect any liabilities of the Fisheries Corporation incurred from 24th October 2017 up to a maximum limit of £100k. At the date of authorisation of these financial statements £32k has been paid to Connect.

3. The other non-adjusting material event concerns the RMS St Helena. The airport construction was completion in 2016/17 but commercial flights were yet to commence. As a result of this, the RMS St Helena had yet to be decommissioned. As at 1 April 2016, the RMS St Helena was given an estimated remaining useful life of 2 years. An up to date estimated valuation has been provided by St Helena Line and C W Kellock. As part of the process for sale, in their professional option, an achievable target figure for a sale in the current market place could be around \$4m. The RMS was decommissioned in February 2018 and options for sale or scrapping are currently underway.

9.6.2 Adjusting Events

Material events, which occurred after the reporting date and can be shown that the conditions existed before the reporting date, are adjusting events. During 2017/18, 4 litigation claims required a provision to be applied to the 2016/17 financial statements for a total of £4.5m. These have been expensed to the Statement of Financial Performance and a Litigation Reserve under the Consolidated Fund, created for these potential costs.

9.7 Contingent Assets and Liabilities

Contingent assets and liabilities are not included within the Statement of Financial Performance or the Statement of Financial Position, but are disclosed by way of a note to the accounts where a receipt or some other economic benefit is probable (contingent asset), or where there is a possible obligation that may require payment or other transfer of economic funds (contingent liability).

SHG is acting as Guarantor for St Helena Hotel Development Ltd (SHHD) in that if SHHD fails to meet any of its monthly repayments on the £1m loan it has with the Bank of St Helena, then SHG will cover these payments.

As at 31st March 2017 there was 1 employment and 4 medical negligence cases which were raised against the Attorney General for SHG which were considered as being contingent liabilities and therefore had not been provided for. These are potential liabilities which have yet to be pleaded and heard.

There were no contingent assets in the period.

10.0 Notes to the Statement of Financial Performance

10.1 Revenue by Category

	2016/17 £000	Restated 2015/16 £000
<u>Taxation</u>		
Income Tax (PAYE)	3,386	3,396
Self Employed Tax	432	329
Corporation Tax	341	718
Service Tax	428	480
Withholding Tax	0	43
Customs Duty - Alcohol	987	1,227
Customs Duty - Tobacco	758	782
Customs Duty - Petrol	344	349
Customs Duty - Diesel	552	487
Other Customs Duties	2,626	2,714
	<u>9,854</u>	<u>10,525</u>
<u>Fines, Fees and Licenses</u>		
Stamp Duty	77	38
Immigration Fees	59	134
Planning Fees	19	23
Other Fines, Fees and Licences	914	812
	<u>1,069</u>	<u>1,007</u>
<u>Other Local Revenue</u>		
Earnings Government Departments	57	68
Interest Received	78	67
Other Treasury Receipts	24	1
Profit on Disposal of Non-current Assets	165	111
Other Income Received	106	197
	<u>430</u>	<u>444</u>
<u>Trading Activities</u>		
Operating Revenue	3,616	2,959
Interest Received	11	12
Profit on Disposal of Non-current Assets	12	10
DfID Development Aid	816	2,115
	<u>4,455</u>	<u>5,096</u>
<u>Movements in Non-current Investments</u>		
Share of Profit of Subsidiaries	447	728
	<u>447</u>	<u>728</u>
DfID Grant in Aid and Shipping Subsidy	22,916	19,271
DfID Development Aid	11,739	5,848
Other Development Aid	1,138	4,515
Non-exchange Donated Asset Funding	0	60
Non-exchange DfID Infrastructure Aid Funding	13,562	14,361
	<u>49,355</u>	<u>44,055</u>
Total Revenue	<u>65,610</u>	<u>61,855</u>

10.2 Expenditure by Category

	2016/17 £000	2015/16 £000
Employee Costs	19,372	16,860
Property Costs	719	1,017
Transport & Plant Costs	83	130
Supplies & Services Costs	8,818	7,029
Administration Costs	938	863
Payments to Other Agencies, Bodies or Persons	9,478	8,425
Other Expenditure	1,683	2,195
Payment to Contractors	11,624	3,999
Finance & Other	564	436
Depreciation	7,802	1,638
Impairment of Non-current Assets	6	1,116
Loss on Disposal of Non-current Assets	9	13
Movement on Non-Current Assets	257	0
Provisions Recognised	4,520	413
Provision for Doubtful Debts	3	106
Total Expenditure	65,876	44,240

The fee for the audit of the 2016/17 financial statements is expected to be maintained at £59,500 (2015/16 £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.

	2016/17 £000	2015/16 £000
Benefit Payments:		
Basic Island Pension	1,912	1,745
Better Life Allowances	202	125
Social Benefits	403	389
Unemployment Benefits	11	7
	2,528	2,266

10.3 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.

	Original Budget £000	Supplementary Appropriations £000	Withdrawal Warrants £000	Special Warrants £000	Final Budget £000
Appropriated					
Corporate Support, Policy and Planning	1,267	88	0	0	1,355
Human Resources	8,495	0	(485)	0	8,010
Police	1,246	40	(14)	0	1,272
Corporate Finance	4,401	683	0	688	5,772
Economic Development	1,100	0	0	0	1,100
Shipping	681	1,701	0	0	2,382
Education	3,021	0	0	0	3,021
Health	5,570	0	(500)	0	5,070
Environment and Natural Resources	3,099	21	(20)	0	3,100
Safeguarding	3,754	0	(210)	0	3,544
	32,634	2,533	(1,229)	688	34,626
Non-appropriated					
Pensions and Benefits	3,677	0	0	0	3,677

The Supplementary Appropriations increase the 2016/17 budgets approved by Legislative Council in March 2016 for the respective directorate based on the latest available forecast.

The Withdrawal Warrants used to finance the above Supplementary Appropriations were for a variety of reasons including underspends on Technical Cooperation posts, capital projects and aero medical evacuations.

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 financial support to Saint FM radio station (£15k) and payments in connection with the settlement of a legal case (£673k).

The following table provides an analysis and explanation of the differences between the final budget and actual expenditure and revenues reported in SHG's March 2017 management accounts.

	Expenditure			Revenue		
	Final Budget £000	Actual £000	Variation £000	Final Budget £000	Actual £000	Variation £000
Corporate Support, Policy and Planning	1,355	1,377	(22)	222	236	14
Human Resources	8,010	7,863	147	0	0	0
Police	1,272	1,268	4	343	271	(72)
Corporate Finance	5,772	5,696	76	34,199	33,693	(506)
Economic Development	1,100	1,100	0	0	0	0
Shipping	2,382	2,158	224	0	0	0
Education	3,021	2,999	22	270	274	4
Health	5,070	5,181	(111)	694	745	51
Environment and Natural Resources	3,100	3,234	(134)	520	559	39
Safeguarding	3,544	3,492	52	74	81	7
	34,626	34,368	(258)	36,322	35,859	(463)

An over spend has occurred on the Health budget because of overseas medical evacuations. In addition to this, Environment and Natural Resources were overspent compared to budget because of contractual payments and payments for building maintenance earlier than anticipated.

The decrease in Corporate Finance revenues is attributed to the success of the Investment Tax Credit initiative. The Investment Tax Credit is an incentive to encourage investment. The increase in investment in Saint Helena and uptake of this credit has however resulted in a significant decrease in revenues from corporate taxation in comparison with the budget.

10.4 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 include the Police directorate and Economic Development.

2016/17

	£000	Education	Health and Safeguarding	£000	Environment and Natural Resources	Shipping	Corporate Services	Other Services	Management Accounts	£000	Not included in Management Accounts but included in Financial Statements	£000	Included in Management Accounts but not included in Financial Statements	£000	Unallocated Assets and Liabilities	£000	Financial Statements
Segment Revenue:																	
Revenue from External Sources	11	378	354	0	33,421	271	34,436	31,174	0	65,610							
Inter-segment Transfers	263	448	205	0	477	0	1,393	0	(1,393)	0							
Total Segment Revenue	274	826	559	0	33,898	271	35,829	31,174	(1,393)	65,610							
Total Segment Expenditure	2,999	8,673	3,231	2,158	18,419	2,368	37,851	29,418	(1,393)	65,876							
Surplus/(Deficit) for the Period	(2,725)	(7,847)	(2,672)	(2,158)	15,479	(2,097)	(2,022)	1,756	0	(266)							

Other Information:

Segment Assets	4,941	6,092	9,682	4,813	4,883	10,534	292,417	333,362
Segment Liabilities	0	0	0	0	0	0	83,563	83,563
Costs to acquire Segment Assets	18	165	113	0	1,017	187	23,526	25,026

10.4 Segment Reporting (continued)

2015/16 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
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Segment Revenue:											
Revenue from External Sources	17	323	404	2,680	27,580	339	30,343	30,512	0		61,855
Inter-segment Transfers	249	411	269	0	264	0	1,193	0	(1,193)		0
Total Segment Revenue	266	734	673	2,680	27,844	339	32,536	30,512	(1,193)		61,855
Total Segment Expenditure	2,525	6,837	3,119	625	16,315	2,357	31,778	13,655	(1,193)		44,240
Surplus/(Deficit) for the Period	(2,259)	(6,103)	(2,446)	2,055	11,529	(2,018)	758	16,857	0		17,615

Other Information:

Segment Assets	0	1,588	4,066	386	603	555				313,795	320,993
Segment Liabilities	0	0	0	0	0	0				70,240	70,240
Costs to acquire Segment Assets	0	102	304	0	217	448				52,802	53,873

10.5 Termination Benefits

SHG incurred no termination benefit payments in 2016/17 (two employees totalling £60k in 2015/16).

11.0 Notes to the Statement of Financial Position

11.1 Cash and Cash Equivalents

	31 March 2017	31 March 2016
	£000	£000
Bank Deposits	974	999
Overseas Call/Current Accounts	1,368	2,450
Overdraft - Bank of Saint Helena	(643)	(1,029)
Cash	1,204	935
	2,903	3,355

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 in section 14.0 of these Financial Statements.

11.2 Investments

11.2.1 Current Investments

	31 March 2017	31 March 2016
	£000	£000
Certificates of Deposits	2,503	5,133
	2,503	5,133

Some of SHG's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2017 £000	31 March 2016 £000
Available for Sale Financial Assets	Level 1	Unadjusted quoted prices in active market for identical asset	2,503	5,133
			2,503	5,133

11.2.2 Non-current Investments

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

	2016/17 £000	2015/16 £000
Balance at 1 April	26,107	25,404
Acquisitions in year	2,100	0
Share of Profit/(Loss) of Subsidiaries	190	728
Disbursements Received	(20)	(25)
Balance at 31 March	28,377	26,107

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

	31 March 2017 £000	31 March 2016 £000
Bank of St Helena Ltd	5,820	5,512
Connect St Helena Ltd	15,187	15,423
Solomon & Company Plc	5,310	5,171
St Helena Line Ltd	1	1
St Helena Hotel Development	2,059	0
Balance at 31 March	28,377	26,107

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

On 4th November 2016 SHG acquired 2,100,000 ordinary shares with a nominal value of £1, in St Helena Hotel Development Ltd in return for the premises of 1, 2 and 3 Main Street, Jamestown. This is to develop and operate a hotel in Jamestown.

Further details of SHG's investments in subsidiaries and other controlled entities is provided in the Controlled Entities note later on in these Financial Statements.

11.3 Recoverables from Non-exchange Transactions

	31 March 2017 £000	31 March 2016 £000
Income Tax Debtors	159	377
Other Taxes and Duties	238	317
Grant Funding	2,037	3,777
	2,434	4,471

11.4 Receivables

11.4.1 Amounts falling due within one year

	31 March 2017 £000	31 March 2016 £000
Receivables:		
Trade and Other Receivables	2,627	1,627
Government Landlord Housing	47	46
Bulk Fuel Installation	0	352
	<u>2,674</u>	<u>2,025</u>
Accrued Income:		
Interest	2	15
Other	133	25
	<u>135</u>	<u>40</u>
Loans:		
Housing and House Purchase Loans	105	113
Staff Advances	163	77
Other Advances	59	77
	<u>327</u>	<u>267</u>
	<u>3,136</u>	<u>2,332</u>
Less Provision for Doubtful Debts:		
Trade and Other Receivables	(218)	(215)
Housing and House Purchase Loans	(81)	(81)
Other Advances	(22)	(23)
	<u>(321)</u>	<u>(319)</u>
	<u>2,815</u>	<u>2,013</u>

11.4.2 Amounts falling due after one year

	31 March 2017 £000	31 March 2016 £000
Trade and Other Receivables	57	9
Housing and House Purchase Loans	132	167
	<u>189</u>	<u>176</u>
Less: Provision for Doubtful Debts:		
Trade and Other Receivables	0	(2)
Housing and House Purchase Loans	(61)	(59)
	<u>(61)</u>	<u>(61)</u>
	<u>128</u>	<u>116</u>

11.5 Inventories

	31 March 2017 £000	31 March 2016 £000
Consolidated Fund:		
Pharmacy	203	192
Stamps	24	47
Other	140	147
	<u>367</u>	<u>386</u>
Special Funds:		
Information Technology	84	83
Transport	511	512
Bulk Fuel Installation	1,873	1,150
	<u>2,468</u>	<u>1,745</u>
	<u>2,835</u>	<u>2,131</u>
Less Provision for Slow Moving and Obsolete Inventories:		
Consolidated Fund	(50)	(50)
Special Funds	(220)	(194)
	<u>(270)</u>	<u>(244)</u>
	<u>2,565</u>	<u>1,887</u>

Inventories recognised in expenditure:

	2016/17 £000	2015/16 £000
Pharmacy	578	532
Stamps	39	15
Other	86	58
Information Technology	51	47
Transport	74	58
Bulk Fuel Installation	4,419	3,753
	<u>5,247</u>	<u>4,463</u>

11.6 Prepayments

	31 March 2017 £000	31 March 2016 £000
Other Prepayments	1,193	1,525
DfID Funded Airport Project	5,769	13,985
Wharf Project	535	535
	<u>7,497</u>	<u>16,045</u>

11.7 Property, Plant and Equipment

2016/17

	Land & Buildings £000	Infrastructure £000	Infrastructure Roads £000	Computer Hardware & Software £000	RMS St Helena £000	Other * £000	Assets Under Construction £000	Totals £000
Cost								
Balance at 1 April 2016	35,918	2,245	25,701	770	3,315	10,330	220,882	299,161
Transferred to completed assets	14,985	84,850	14,144	0	0	43,859	(157,838)	0
Additions	0	0	0	0	0	1,733	23,292	25,024
Recategorisation	0	60	(60)	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	0	0	5,668	0	0	5,668
Disposals	(711)	(32)	0	0	0	(733)	0	(1,476)
Balance at 31 March 2017	50,192	87,123	39,785	770	8,983	55,189	86,336	328,378

Accumulated Depreciation & Impairment

Balance at 1 April 2016	(1,200)	(1,439)	(25,297)	(246)	(2,192)	(6,921)	0	(37,294)
Charge for year	(809)	(1,032)	(462)	(150)	(1,990)	(3,393)	0	(7,836)
Impairments recognised in the Statement of Financial Performance	0	0	0	(5)		(1)		(6)
Recategorisation	0	(60)	60	0	0	0	0	0
Disposals	146	29	0		0	723	0	898
Balance at 31 March 2017	(1,862)	(2,502)	(25,699)	(401)	(4,182)	(9,592)	0	(44,238)
Net Book Value at 31 March 2017	48,330	84,621	14,086	369	4,801	45,597	86,336	284,140

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

11.7 Property, Plant and Equipment (continued)
2015/16 Restated

2015/16	Land & Buildings £000	Infrastructure £000	Infrastructure Roads £000	Computer Hardware & Software £000	RMS St Helena £000	Other * £000	Assets Under Construction £000	Totals £000
Cost								
Balance at 1 April 2015	2,479	2,058	499	589	2,566	9,998	168,359	186,548
Transferred to completed assets	120	0	0	0	0	0	(120)	0
Additions	455	187	0	181	0	407	52,643	53,873
Disposals	0	0	0	0	0	(75)	0	(75)
Balance at 31 March 2016 as previously reported	3,054	2,245	499	770	2,566	10,330	220,882	240,346
Ending of transitional arrangements	32,864	0	25,202	0	749	0	0	58,815
Restated Balance at 31 March 2016	35,918	2,245	25,701	770	3,315	10,330	220,882	299,161
Accumulated Depreciation & Impairment								
Balance at 1 April 2015	(53)	(1,273)	(79)	(113)	(1,543)	(6,237)	0	(9,298)
Charge for year	(85)	(166)	(16)	(133)	(637)	(652)	0	(1,689)
Impairments recognised in the Statement of Financial Performance	0	0	0	0	0	(93)	0	(93)
Disposals	0	0	0	0	0	62	0	62
Balance at 31 March 2016 as previously reported	(138)	(1,439)	(95)	(246)	(2,180)	(6,920)	0	(11,018)
Impairments on ending of transitional arrangements recognised in the Statement of Financial Performance	(1,023)	0	0	0	0	0	0	(1,023)
Prior year adjustments	35	0	0	0	0	0	0	35
Ending of transitional arrangements	(74)	0	(25,202)	0	(12)	0	0	(25,288)
Restated Balance at 31 March 2016	(1,200)	(1,439)	(25,297)	(246)	(2,192)	(6,920)	0	(37,294)
Net Book Value at 31 March 2016	34,718	806	404	524	1,123	3,410	220,882	261,867

11.7.1 Change in Useful Lives of Assets

31 March 2015 saw a professional revaluation of the land and building assets. This included a review of the useful lives of each asset which changed the range of the estimated useful life of assets within the land and buildings category. This then resulted in a change to the accounting policy for Property, Plant & Equipment. The total depreciation charge for 2016/17 for the assets whose useful lives had changed was £364k. Had the useful lives not changed, the total depreciation charge for those assets would have been £785k. It is envisaged that this change in useful life, and subsequent reduction in annual depreciation, will remain until the assets are next revalued on 31 March 2020, unless the need arises to revalue a specific asset or class of assets.

In 2016/17 the RMS St Helena was revalued and re-lived based on commercial flights starting and the ship being decommissioned in 2018. The total depreciation charge for 2016/17 for the assets whose useful lives had changed was £1,990k. Had the useful lives not changed, the total depreciation charge for those assets in the ship category would have been £1,920k. The useful life of the ship will remain until the asset is decommissioned and disposed of on the asset register.

11.8 Investment Property

An investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate. In this respect, the asset is not used directly to deliver SHG's services.

SHG holds assets for strategic purposes to encourage development of local businesses and not solely for revenue generation or capital gains. For this reason, there were no investment properties in 2016/17 or the comparative period.

11.9 Impairments

Following an impairment testing exercise it was determined that two assets were impaired and the carrying value of these assets has been reduced by a total of £6k (2015/16 five assets totalling £93k).

During 2016/17, the impairments were due to one item of computer hardware and one item of computer equipment no longer being in working order. The total impairment of £6k was charged to the IT Trading Account within the Statement of Financial Performance.

11.10 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. Prior to 2016/17 SHG had 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* had been adopted. This transition is no longer in place for 2016/17.

In total SHG is the lessor of 102 residential and 11 commercial leases. The total value of annual lease payments for 2016/17 was £19k for residential leases and £18k for commercial leases. The total low value of these lease receipts deems any further notes in these Financial Statements unnecessary.

11.11 Capital Commitments

11.11.1 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 2017 totalled £192.3 million (31 March 2016 £191.3 million).

11.11.2 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). There were no amounts contracted for but not provided in the financial statements for 2016/17 (2015/16 £0.9 million).

11.12 Payables

	31 March 2017 £000	Restated 31 March 2016 £000
Payables:		
Trade Payables	831	565
Other Payables	209	76
	<u>1,040</u>	<u>641</u>
Deposits:		
Currency Fund	214	739
Other	158	65
	<u>372</u>	<u>804</u>
Accruals:		
Staff Benefits	1,126	976
Other	4,829	2,312
	<u>5,955</u>	<u>3,288</u>
Income Received in Advance:		
Income Tax	492	583
Grant Funding	2,073	3,707
Other	24	9
	<u>2,589</u>	<u>4,299</u>
	<u>9,956</u>	<u>9,032</u>

11.13 Provisions

	Short-term 2016/17 £000	Long-term 2016/17 £000	Total 2016/17 £000
Balance at 1 April 2016	413	0	413
Provisions recognised	52	4,468	4,520
Provision released	(102)	0	(102)
Balance at 31 March 2017	<u>363</u>	<u>4,468</u>	<u>4,831</u>

Provisions cover 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. *IPSAS 19 Provisions* states that comparative information is not required.

11.14 Pensions

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

11.14.1 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 2016/17 was £360k (2015/16 £253k). As at 31 March 2017 SHG held £121k of pension contributions on behalf of employees which was due to be transferred to the MiSaint Pension Scheme (31 March 2016 £63k). This liability is recorded in Other Payables.

11.14.2 Defined Benefit Pension Scheme (DBPS)

	2016/17 £000	2015/16 £000
Actuarial Pension Liability:		
Balance at 1 April	60,795	48,424
Movement in the year due to:		
Current Service Cost	1,467	951
Past Service Cost	0	670
Interest Cost	1,341	1,062
Expense for year	2,808	2,683
Pension Benefits Paid	(1,187)	(1,313)
Actuarial (Gains)/ Losses	6,360	11,001
Balance at 31 March	68,776	60,795

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 £2,808k has been recorded within Public Sector Pensions in the Statement of Financial Performance. This consists of:

	2016/17 £000	2015/16 £000
Current Service Cost	1,467	951
Past Service Cost	0	670
Interest Cost	1,341	1,062
Total Charge to Statement of Financial Performance	2,808	2,683

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 the Key Estimations and Assumptions note in these Financial Statements.

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 2017 £000	31 March 2016 £000	31 March 2015 £000	31 March 2014 £000	31 March 2013 £000
Statement of Financial Position:					
Actuarial Pension Liability	68,776	60,795	48,424	34,620	38,278
Statement of Changes in Net Assets:					
Experience (Gains) / Losses Arising on Scheme Liabilities	126	3,145	(161)	141	1
Changes in Actuarial Assumptions	6,234	7,856	13,304	(4,421)	2,287
Net Actuarial (Gain)/Loss on Scheme Liabilities	6,360	11,001	13,143	(4,280)	2,288

11.15 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

11.15.1 The Consolidated Fund

The Consolidated Fund comprises eight reserves.

	Note	31 March 2017 £000	Restated 31 March 2016 £000
General Reserve	11.15.1.1	(714)	3,315
Capital Reserve	11.15.1.2	48,076	48,560
Revaluation Reserve	11.15.1.3	5,962	294
Pension Reserve	11.15.1.4	(68,776)	(60,795)
Investments in Subsidiaries Reserve	11.15.1.5	28,376	26,107
Aid Funded Infrastructure Reserve	11.15.1.6	235,854	226,581
Donated Asset Reserve	11.15.1.7	86	110
Litigation Reserve	11.15.1.8	(4,520)	0
		244,344	244,172

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

11.15.1.1 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.

	31 March 2017	Restated 31 March 2016
	£000	£000
Balance at 1 April	3,315	3,875
Surplus/ (Deficit) for the Period	(190)	1,370
Use of General Reserve to Finance Payment of Pension Benefits	(1,187)	(1,313)
Use of General Reserve to Finance Capital Expenditure	(183)	(153)
Transfers	(986)	(474)
(Loss) on Financial Assets	(3)	(15)
Transfer of Working Capital to Subsidiary	(1,500)	0
Disbursements Received	20	25
Balance at 31 March	(714)	3,315

11.15.1.2 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.

	31 March 2017	Restated 31 March 2016
	£000	£000
Balance as at 1 April	48,854	10,916
Prior year adjustments	0	33,491
Restated balance as at 1 April	48,854	44,407
Use of General Reserve to Finance Capital Expenditure	183	153
Use of Special Funds to Finance Capital Expenditure	3,374	6,854
Depreciation	(3,462)	(2,459)
Impairments	(6)	(93)
Disposal of Non-current Assets	(574)	(8)
Balance at 31 March	48,369	48,854

11.15.1.3 Revaluation Reserve

The Revaluation Reserve contains the gains made by the government arising from increases in the value of its Property, Plant and Equipment. The Reserve contains only revaluation gains accumulated since 31 March 2016, the date that the Reserve was created following the end of the transitional provision of *IPSAS 17 Property, Plant & Equipment*. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are realised.

	31 March 2017 £000	31 March 2016 £000
Balance as at 1 April	294	0
Ending of Transitional Arrangements - Upward revaluation of assets	5,668	294
Balance at 31 March	5,962	294

11.15.1.4 Pension Reserve

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

	31 March 2017 £000	31 March 2016 £000
Balance at 1 April	(60,795)	(48,424)
Current Service Cost	(1,467)	(951)
Past Service Cost	0	(670)
Interest Cost	(1,341)	(1,062)
Use of General Reserve to Finance Payment of Pension Benefits	1,187	1,313
Actuarial Losses	(6,360)	(11,001)
Balance at 31 March	(68,776)	(60,795)

11.15.1.5 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.

	31 March 2017	31 March 2016
	£000	£000
Balance at 1 April	26,107	25,404
Share of Profit/(Loss) of Subsidiaries	189	728
Investments funded from the General Reserve	1,500	0
Gain on Transfer of Non-current Assets	600	0
Disbursements Received	(20)	(25)
Balance at 31 March	28,376	26,107

11.15.1.6 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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	226,581	212,220
DfID Infrastructure Aid Funding	13,562	14,361
Depreciation	(4,289)	0
Balance at 31 March	235,854	226,581

11.15.1.7 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.

	2016/17	2015/16
	£000	£000
Balance at 1 April	110	68
Non-Exchange Donated Asset Funding	0	60
Depreciation	(14)	(13)
Disposal of Non-current Assets	0	(5)
Other movements	(10)	0
Balance at 31 March	86	110

11.15.1.8 Litigation Reserve

This reserve was created in 2016/17 to hold the balance of the unresolved litigation claims currently under review by the Attorney General. This balance will change each year as cases are settled and payments are made, or provisions are released. New claims and the associated provision will be held in this reserve as necessary.

	31 March 2017	31 March 2016
	£000	£000
Balance at 1 April	0	0
New claims arising	(4,520)	0
Balance at 31 March	(4,520)	0

11.15.2 Special Funds

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

11.15.2.1 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 31 March 2015	(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 Expenditure	(366)	0	(2,168)	0	(4,054)	(147)	0	(6,735)
Transfers	170	0	(195)	(55)	0	400	20	340
Balance as at 31 March 2016 (restated)	(3,276)	(230)	2,591	62	2,178	447	19	1,791
Funds Received	2,552	0	9,022	0	730	0	40	12,344
Funds Applied	(2,539)	0	(7,489)	(62)	(659)	(92)	(41)	(10,882)
Funds Applied to Finance Capital Expenditure	(65)	0	(1,806)	0	(863)	0	0	(2,734)
Transfers	0	0	(21)	0	0	0	0	(21)
Balance as at 31 March 2017	(3,328)	(230)	2,297	0	1,386	355	18	(498)

11.15.2.2 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 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 Expenditure	0	(108)	0	0	0	0	(108)
Transfers	41	422	0	(1)	(5)	77	534
Balance as at 31 March 2016	232	774	(119)	57	(4)	3,219	4,159
Surplus/(Deficit) for the Period	141	(38)	0	66	(127)	(396)	(354)
Funds Applied to Finance Capital Expenditure	0	(640)	0	0	0	0	(640)
Transfers	2	445	0	(2)	(13)	575	1,007
Balance as at 31 March 2017	375	541	(119)	121	(144)	3,398	4,172

11.15.2.3 Special Funds – Other Funds

	Government Landlord Fund £000	Improvements and New Construction £000	Revolving Fund £000	Environmental Management Projects Fund £000	Capital Receipts Fund £000	Animal Husbandry Fund £000	Total £000
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
Surplus for the Period	0	20	5	122	6		153
Balance as at 31 March 2017	388	41	(23)	359	20		785

11.16 Nature and Extent of Risks arising from Financial Instruments

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

11.16.1 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 £2,627k (2015/16 £1,627k). At the reporting date the carrying value of Housing and House Purchase Loans was £94k (2015/16 £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
Amounts not impaired			
Not yet due	2,076	15	91
Up to 30 days	48	2	3
31 - 60 days	115	3	1
Over 60 days	415	139	141
	<u>2,654</u>	<u>159</u>	<u>236</u>
Amounts individually impaired	27	0	142
Total	<u><u>2,627</u></u>	<u><u>159</u></u>	<u><u>94</u></u>

On 17th May 2016 SHG signed an agreement with the Bank of St Helena to act as guarantor for a loan issued to St Helena Hotel Development Ltd. The signing of the agreement with Bank of St Helena is an activity that has exposed SHG to potential credit risk if St Helena Hotel Development Ltd default on their contractual obligations of the £1,000,000 loan.

11.16.2 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.

11.16.3 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 2017, the value of investments held as Floating Rate Note deposits was £2,503k (2015/16 £4,862k). Total interest earned by SHG on cash surpluses during 2016/17 was £68k (2015/16 £79k). As this is not a significant element of total revenue, SHG is not deemed to be exposed to significant interest rate risk.

12.0 Notes to the Statement of Cash Flows

12.1 Movements in Working Capital

		2016/17	Restated 2015/16
	Note	£000	£000
(Increase)/Decrease in Receivables	11.3, 11.4	1,209	(4,034)
(Increase)/Decrease in Inventories	11.5	(679)	131
(Increase)/Decrease in Prepayments	11.6	332	(74)
Increase in Payables	11.12	924	447
Increase in Provisions	11.13	4,418	413
		6,204	(3,117)

13.0 Controlled Entities

SHG has a controlling interest in the following reporting entities as at 31 March 2017:

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.

The Controlled Entities note to these Financial Statements 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 2016/17 was £42k (2015/16 £19k), none of which remained payable at the year end (2015/16 £14k). In 2016/17, SHG also provided St Helena Fisheries Corporation with a £100k (2015/16 £120k) working capital contribution.
- SHG holds current accounts 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. The closing balance of these accounts at the year end can be seen in the Cash and Cash Equivalents note.
- SHG provided ESH with a subsidy of £1.1m (2015/16 £950k) in order to assist with the daily operations of the entity. In previous years, SHG also funded the employment of specialist staff in ESH via the Technical Cooperation fund. In 2015/16 this totalled £331k however for 2016/17 this funding was part of the DfID project.
- ESH holds a lease with SHG for the Jamestown Market, which expires on 1 October 2162. An annual rental fee of £51 is paid.
- SHG provided Connect St Helena Ltd with a total subsidy of £838k in 2016/17. This amounted to £605k (2015/16 £777k) to support the operations and £233k water shortage grant. In addition, Connect St Helena Ltd received an £843k rebate of customs duties paid on fuel (2015/16 £809k), of which £142k was still to be paid at 31 March 2017 (£74k as at March 2016).
- 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 2016/17 was £1.471m (2015/16 £1.036m) of which £291k remained payable at 31 March 2017 (31 March 2016 £345k).
- St Helena Line Ltd receives a subsidy each year from SHG. In 2016/17 this amounted to £1.76m (2015/16 £624k) of which £246k remained payable at 31 March 2017.
- 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.

- SHG are acting as Guarantor for St Helena Hotel Development Ltd (SHHD) in that if SHHD fails to meet any of its monthly repayments on the £1m loan it has with the Bank of St Helena, then SHG will cover these payments.
- SHG have agreed to act as Guarantor for St Helena Fisheries Corporation with Connect St Helena Ltd. This is to ensure that Connect continues to provide utilities to the Fisheries Corporation and that SHG agrees to pay to Connect any liabilities of the Fisheries Corporation incurred from 24th October 2017 up to a maximum limit of £100k.

SHG controls, from an accounting perspective, a number of private and public sector entities. These controlled entities have not been consolidated in accordance with IPSAS 6 *Consolidated & Separate Financial Statements*. No adjustments have been made for transactions between entities. The table below shows the figures that have been obtained from the latest audited financial statements of these entities.

Entities in which SHG holds an ownership interest

Entity	Controlling Interest	Financial Reporting Framework	Net Assets		Net Profit/(Loss)	
			31 March 2017	31 March 2016	2016/17	2015/16
			£000	£000	£000	£000
Bank of St Helena Ltd	Wholly owned. Board of Directors appointed by the Governor.	Financial Reporting Standard 102.	5,820	5,512	308	287
Connect St Helena Ltd	Wholly owned. Non-executive membership of the Board.	Financial Reporting Standard 102.	15,187	15,424	(236)	216
Solomon & Company Plc	Majority shareholder (62.9%)	Financial Reporting Standard 102.	8,436	8,215	251	357
St Helena Line Ltd	Majority shareholder (99%)	Financial Reporting Standards for Smaller Entities - accruals basis	1	1	0	0
St Helena Hotel Development	Wholly owned. Non-executive membership of the Board.	Financial Reporting Standard 102.	2,059	(13)	(41)	(7)
			31,503	29,139	282	853

SHG's interest in Solomon's is 62.9%. This applied to the figures above amounts to SHG's interest in net assets being £5,310k (£5,171k at 31 March 2016) and the interest in net profit/loss totalling £159k (£225k 2015/16).

Other entities controlled by SHG

Entity	Controlling Interest	Financial Reporting Framework	Net Assets		Net Profit/(Loss)	
			31 March 2017	Restated 31 March 2016	2016/17	Restated 2015/16
			£000	£000	£000	£000
St Helena Currency Fund	Commissioners appointed by the Governor.	International Public Sector Accounting Standards	1,229	1,560	169	51
St Helena Fisheries Corporation	Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis	(168)	64	(232)	(19)
Enterprise St Helena	Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis	1,227	1,553	(326)	(105)
			2,288	3,177	(389)	(73)

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.



Statement of Trust Fund Movements for the year ended 31 March 2017

	Balance at 1 April 2015 £	Receipts in year £	Payments in year £	Balance at 31 March 2016 £	Receipts in year £	Payments in year £	Balance at 31 March 2017 £
Alexander Bequest Fund	1,404	7	(11)	1,400	3	(13)	1,390
Arnold Memorial Xmas Gift Fund	516	3	0	519	1	(0)	520
Arnold Memorial Hospital Trust Fund	6,933	97	(24)	7,006	54	(1)	7,059
Bain Gray Prize Trust Fund	1,383	8	0	1,391	3	(0)	1,394
Bovell Trust Fund	1,229	7	(12)	1,224	3	(13)	1,214
Leslie & Ted Moss Trust Fund	2,575	13	0	2,588	5	(1)	2,592
Solomon's Trust Fund	13,764	84	(230)	13,618	31	(201)	13,448
Defined Contribution Pension Scheme*	27,804	219	(277)	27,746	100	(229)	27,617
Eliza Mary Lloyd Trust Fund	50,776	254,321	(305,097)	0	0	0	0
	3,755	319	(203)	3,871	60	(42)	3,889
Total	82,335	254,859	(305,577)	31,617	160	(271)	31,506

* The Defined Contribution Pension Scheme was a Trust Fund established by SHG. 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.



15.0 Annual Governance Statement 2016/17

15.1 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 2016/17. 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.

An earlier draft of the Statement was considered at the Audit & Risk Committee meeting on 1 June 2016, following endorsement by the SHG Business Delivery Group and, separately, by the Financial Secretary and Chief Secretary.

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.

15.2 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 2017 SHG had spent £39.1m¹ (recurrent and capital expenditure from the Consolidated Fund) and had a total employed workforce of 762 staff (752 full time equivalent). Of these, 87 (80.5 FTE) were "Technical Cooperation" (TC) Officers.

¹ SHG Management Accounts 2016-2017.

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
- Fisheries administration and regulation
- Conservation and sustainable management of the Island's terrestrial, freshwater and marine resources
- Environmental risk management and education
- Land disposal and registration
- SHG buildings management & maintenance
- GIS services
- Development control
- Land planning and development applications
- Provision and maintenance of St Helena's road network
- Vehicle fleet management
- SHG Housing services
- Meteorological services (managed on behalf of the UK Met office)

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
- 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
- Assurance services

15.3 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 2017/18.

15.4 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.

15.5 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.

15.6 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.

15.7 Audit & Risk Committee

The Audit & Risk 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
- Ethical principles – concerning compliance with legal and regulatory requirements and anti-fraud and corruption.

The Audit and Risk Committee also provides oversight of the Internal Audit Office. The Audit and Risk 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. 4 of the current members do not work within SHG.

15.8 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
- 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), agriculture, fishing 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 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 and an Adult'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

15.9 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 2016/17, 3 Ordinances and 10 Legal Notices were issued. The 3 new pieces of legislation included Ports, Road Traffic and Food Safety. The new subsidiary legislation included taxation, aviation and social protection.

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

15.10 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.

No policies were approved by ExCo during 2016/17.

15.11 Risk Management

In 2016/17 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 2016/17 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 and Risk 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. Insufficient funding
2. Shortages of suitably qualified and experienced staff
3. Delay or failure to deliver capital projects

15.12 Performance Management

The 2016/17 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 as well as annually. The Monthly Corporate Performance Report was discussed at Corporate Management Team meetings. A full Corporate Performance Report for 2016/17 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 BAM.

41% of indicators (including KPIs) gained a green rating, 16% an amber rating and 30% a red rating. There were also 13% with no rating as data was not available at the time the report was finalised. The performance report that was used in 2016/17 had 37 indicators (including KPIs), which is a further reduction of 1 from 2015/16 (following a reduction of 19 from 2012/13).

15.13 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.

During the preparation of September's Management Accounts, Directorates were also required to review their forecast figures for periods October to March 2017. This provided SHG with an early indication of 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.

15.14 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 2016/17 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 2016/17. Improvement is needed to ensure the checks are completed on a timely basis. The Fixed Assets Register was completed for 2016/17 and going forward this will be updated on a monthly 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. No internal audit work was carried out in this area in 2016/17 but further work (including a follow-up of the previous audit) is scheduled for 2017/18.

15.15 Review of Effectiveness

15.15.1 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 was required to be completed in full and with due diligence by each Director and other key senior managers. In 2016/17, this was done using an online survey and incorporated an interim survey and related peer challenge process prior to the substantive survey – the results of which are reported in this statement. This process will be further developed for the 2017/18 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.

Whilst the assurance levels *are* those reported by respondents and have not been fully independently assessed or verified, the expanded process (including the peer challenge) has increased the degree of consistency and reliability of the assurances given.

Respondents were asked to identify the biggest 3 challenges faced within their area in 2016/17 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 2017/18 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
Airport ²	Maintaining Airport Certification	Establishing regulatory processes within SHG for management of airport operations	Commencement of scheduled commercial air services to St Helena	Successful completion of Airport construction phase	Taking over of Airport Project works, handover to SHG, and disbandment of Airport Project Team
Education & Employment	Improved Student Attainment	Support and Training for Teachers	Inclusive Schools	Human Capital Development for St Helena	Effective Systems Focused on School Improvement
ENRD	Reorganise the Directorate to form two Directorates to improve delivery	Contribute to the development of capital projects	Ensure all statutory obligations are met eg LDCO, EPO, fisheries legislation	Develop strategies and detailed action plans for key areas of work. eg housing, fishing, invasive species management	Contribute to economic development through release of property, development of agriculture, fisheries, improved environmental management etc
Health ³	Maintaining access to a range of health services in partnership with our consumers	Continue to develop and enhance our local healthcare facilities	Promote better understanding and ownership of health issues by the community	Ensure our existing and emerging health workforce needs are adequately met	Ensure our healthcare services are safe, effective, consumer-centred and evidence-based
Police ⁴	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	No priority identified
Safeguarding	Processes and systems in place to protect the vulnerable	Investing in our staff and services to ensure continuity of service provision	Work closely with our users of residential services to enhance the quality of care we provide	Promote well-being and inclusion to encourage independence	Empower and support vulnerable people to contribute socially and economically
Corporate Finance	Ensure the effective management of Government finances	Timely financial reporting for the Government in accordance with the St Helena Constitution	Implementation of ASYCUDA World and modernisation programme for HM Customs	Identify and secure new sources of external funding to support development on St Helena	Facilitate the delivery of SHG Capital Programme
Corporate Support/ Corporate Services ⁵	supporting elected Members Ex Co and Leg Co	developing information management policies and procedures	ensuring provision of efficient IT infrastructure and support services	implementing Prospectus for Change commitments	keeping the public informed through timely information releases and through consultation where appropriate

² Priorities reported by Airport Director and confirmed by Airport Contract Manager. Assurance levels confirmed by Airport Contract Manager.

³ Responses based on interim survey responses from previous Director of Health but endorsed by new Director

⁴ Responses based on interim survey but confirmed by new Chief of Police.

⁵ Responses as per interim survey

Area	Priority 1	Priority 2	Priority 3	Priority 4	Priority 5
HR	Talent Management & Succession Planning which includes the Future Leaders Programme	Recruitment of suitable calibre staff to meet service needs	Carry out the HR actions in the Prospectus for Change	Continuation of cadre reviews for Job Families	Impacts of Organisational Development initiative
IT	Encourage employee collaboration	Continuous Learning	Understanding our current digital maturity to formulate a clear IT Strategy	Identify and resolve resource allocation conflicts	Business Strategy Execution
Legal	Develop and AG's Chambers that is able to meet the needs of its Clients (SHG comprising corporate services including HE the Governor, the councillors, the Directorates and affiliated organisations to SHG: ESH, SHFC, National Trust	Implement an agile legislative reform process that meets the needs of St Helena	Lead Chambers to be a centre of excellence by adopting best practice and delivering quality legal services that are good value for money	Advising and offering training to SHG so that any risk of liability can be minimised	Ensuring inflow of funding to be able to maintain level of services

Key

Full assurance	Substantial	Moderate	Partial	No assurance
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15.15.2 Internal Audit

The Annual Internal Audit plan of work is agreed by the Audit and Risk 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 and Risk 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 normally includes a formal opinion on the adequacy and effectiveness of risk management, control and governance systems within SHG. However, due primarily to resource limitations in 2016/17 (largely within Internal Audit but also in other areas of SHG), there was insufficient evidence to support a formal opinion.

A staffing strategy for Internal Audit has now been agreed and is being enacted. This is designed to prevent a recurrence of this issue in future years.

15.16 Significant Governance Issues

The following significant governance issues relating to 2016/17 were identified either within the year or subsequent to it:

15.16.1 General Reserves

It was identified during 2017 that the General Reserve had a deficit of £714k at the 31 March 2017, following yearend processes. A review was conducted internally and financial management control issues were identified within Corporate Finance and across directorates that will be addressed in 2017/18 and 2018/19 financial years. A number of proposals for replenishing the fund have been considered and will be affected.

The General Reserve balance has been replenished in 2017/18 by a transfer of £0.77M from the BFI Trading Account Special Fund and £1M from the European Development Fund Special Fund and a transfer from the Currency Fund General Reserve of £0.5M. It is also the intention that the disposal proceeds from the RMS St Helena will be paid into the Consolidated Fund further increasing the balance and providing greater resilience in dealing with any in year exogenous shocks beyond the control of SHG.

15.16.2 Commercial Air Services

In April 2016, it was anticipated that there would be the start of a commercial air service using a Boeing 737 800 operated by Comair. After the implementation flight the presence of wind shear was discovered and subsequently the service was suspended. After much analysis it was deemed that an interim air service was needed which could operate in the conditions at the St Helena Airport until such time that the wind shear issue could be addressed.

SHG has since commenced a new procurement for a commercial air service using the data collected on the conditions at the St Helena airport which has resulted in the awarding of a contract to SA Airlink to use an Embraer E190 to deliver the service. Whilst the regularity of the service is the same as was originally envisaged, the capacity of the new service by comparison is reduced.

15.16.3 Medical Negligence

During the year a number of significant medical negligence claims were brought against SHG which has resulted in a liability arising impacting on the availability of public funds. There is now a process for

continual review of clinical governance arrangements within the Health service. New incident reporting, complaints procedure, patient feedback systems are now in place. These actions are complemented by induction for new health professionals and the institution of local policies and treatment protocols to aid consistent care provision and mitigate where possible the risk of future clinical negligence occurring.

15.16.4 BFI Infrastructure

The new Bulk Fuel Installation was not completed as envisaged in 2016/17. This was due in part to slippage on the construction works but also partly due to the development of a Supplemental Agreement to more clearly define requirements in light of changes to Joint Inspection Group (JIG) standards. Variation Orders (VO's) were issued to Basil Read as a result.

The Airport Project Board accepted that Basil Read resources from Phase 1 of the airport DBO contract should be focused on the completion of airport works and on airport certification. This was because it was possible to operate the airport under fuel contingency arrangements. The disadvantages of the delay in commissioning of the fuel facilities are outweighed by the benefits of an operational airport.

15.16.5 Other Matters

In addition to these major issues, BDG considered a number of governance issues identified in the 2015/16 statement but no significant progress has been made and these are carried over into this statement (with one addition). Responsible officers, proposed actions and deadline have been identified in respect of these issues and these are outlined below:

Issue	Proposed Action	Responsible Officer	Deadline
Shortage of suitably qualified and experienced staff	For staff in post, ensure all training needs resultant from the TNA is communicated to Education for SHCC and any apprenticeship schemes. Work with directorates to get staff trained in line with competency framework for job roles. A future leaders programme and continuous improvement consultancy will also develop staff's experiences at work. Continue to advertise widely when applicable.	Head of HR	TNA analysis completed by 31 July 2017
Unnecessarily complicated and opaque processes increasing risk of non-compliance, decreased value-for-money and loss of reputation.	Internal Audit to consider these issues during routine audit work and to discuss a more systematic approach with the new Director of OD once in post.	Head of Internal Audit	Update through Annual Assurance Letter – 30 April 2018

Issue	Proposed Action	Responsible Officer	Deadline
Inadequate and potentially failing IT infrastructure	ICT Infrastructure Improvements Paper submitted 6 January 2017. This includes capital and recurrent funding submissions for 2017-2020 totalling £700,000.	Head of IT	Interim report on progress to BDG on progress by 31 December 2017
Lack of agreed formal governance relating to information management.	Action plan to be developed and endorsed by CLG and BDG	Corporate Services Executive Manager/ Assistant Chief Secretary (Support)	31 August 2017
Lack of transparency and clarity relating to formal and informal governance structures.	Update <i>Corporate Governance: Guidance to Public Officers</i> document and work with Internal Audit to review and update current documentation to ensure clarity and availability to all stakeholders	Assistant Chief Secretary (Support)	31 October 2017
Lack of effective formal and informal communication both internally and with external stakeholders	To put in place a central Corporate Communications function who will be responsible for all of SHG's internal and external communications.	Head of Press Office	31 March 2018

15.17 Certification

The Governance Framework as described above was in place in the Government of St Helena for the year ended 31 March 2017.

Signed



Roy Burke
Chief Secretary
Head of the Public Service
St Helena Government



Date

