



St Helena Government

Financial Statements

2017/2018

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 Executive 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.

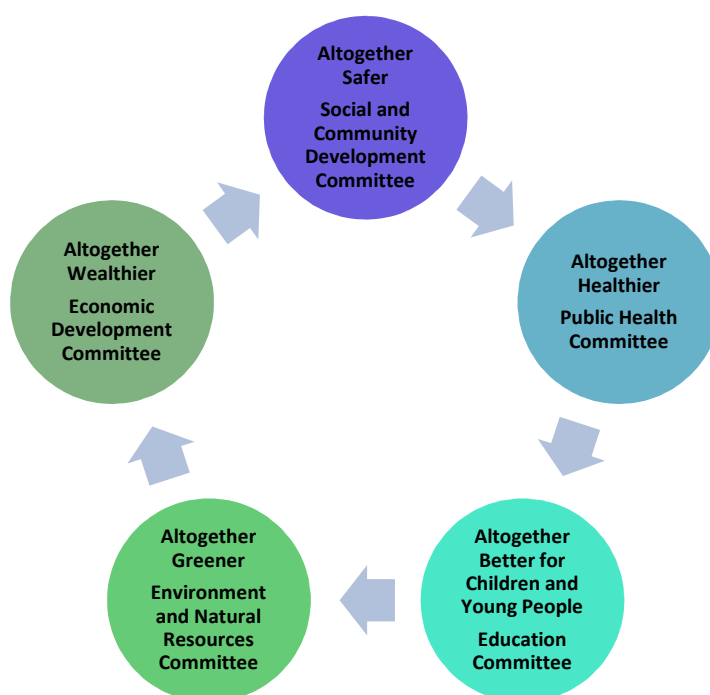
SHG receives a significant proportion of its funding each year from the UK Government, through the Department for International Development (DfID). The Financial Aid Mission team (FAM), which is made up of delegates from DfID, visited the island in November 2016 and following a series of discussions with the Governor, Elected Members, senior SHG officials, the private sector and civil society organisations, an aid settlement for 2017/18 was formally agreed on 5 May 2017.

1.3 Strategic Priorities

After much work to secure air access, the Island is now open to the world. We have historically planned in the short-term, however we now need to plan for the long-term future. We will be able to show the world our natural resources, the Island's beauty and the unique community we have here on St Helena. Since approval of the Airport Project, we have seen wage growth - with the average wage increasing by around 20%. Social protection spending has increased and unemployment figures are currently low. We have seen significant spend on capital projects - this includes the refurbishment of the hospital, a new wharf, new residential accommodation for vulnerable people and investment in renewable energy. St Helena has seen an increase in private sector growth, established a Human Rights Commission, a Mental Health Team, a Safeguarding Directorate and more support to Non-Government Organisations (NGO's). In addition, we have seen positive social, economic and environmental improvements which have been underpinned by policy, legislation and increased funding.

In March 2017, SHG launched a 10 Year Plan. The overall objective of this plan is to continue to make St Helena a wonderful place to live, work, raise children, visit and to do business. By working with the community we are able to capture what is important to St Helenians under five main headings and National Goals:

- Altogether Safer
- Altogether Healthier
- Altogether Better for Children and Young People
- Altogether Greener
- Altogether Wealthier



The 10 Year Plan will need to be revised at least every three years as development takes place. However, the headings will remain the same as they reflect all aspects of life on the Island. In addition to this, an annual progress report will be produced which will be a public document - this will be supported by easy to read strategic plans that will be available to the public and regular consultation meetings.

SHG's annual budget is approved 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.

The Appropriation Ordinance 2017, 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 2017.

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
- 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 2010, applying the International Public Sector Accounting Standards (IPSAS) for the accrual basis of accounting.

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 2018 management accounts and the Statement of Financial Performance.

1.5 Infrastructure Project and the Wharf Project

SHG has two key infrastructure projects; Saint Helena Airport and a new wharf at Rupert's Bay.

A Taking Over Certificate for the new wharf was issued to SHG on 17th June 2016 however it came with a list of outstanding works and defects. These were completed and resolved and the Resident Engineer completed a final inspection and deemed that works were substantially complete. Only one issue remained and this was regarding the rock armouring. The rock armouring work was undertaken in 2017 and when the MV Helena began service in late 2017/18, it was deemed that the Wharf was now fully operational. It is only at this point that we believe the Wharf to be ready for adoption by SHG. Therefore there has been a delay between conditional taking over and adoption. The Wharf was then transferred from Assets under Construction to Property, Plant & Equipment within SHG's finance ledger.

The majority of the St Helena Airport was handed over to SHG in 2016/17. As at 31st March 2018 there were 2 elements of the airport project still to complete; the Bulk Fuel Facility (90% complete) and the access road (98% complete).

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 £3.585m in 2017/18 (£13.562m in 2016/17). This means that 6.0% of the reported total revenue in 2017/18 (20.4% in 2016/17) 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 2018 was £233.598m (£235.854m at 31 March 2017). Debited to this account is the depreciation charged against the assets bought in to use. The cumulative total depreciation in this reserve as at 31 March 2018 was £5.841 m (£4.289m as 31 March 2017). SHG's total Funds and Reserves at 31 March 2018 including the Aid Funded Infrastructure Reserve was £241.043m (£251.056m restated at 31 March 2017).

The difference between the value of payments made to the contractor by the UK Government and SHG and the carrying value of works completed is recognised as a prepayment in the Statement of Financial Position. £374k of the reported prepayments total of £859k at 31 March 2018 was in relation to the airport project (£5.769m of the reported prepayments total of £6.461m at 31 March 2017). £374k is the value of works completed between 1st April 2018 and 6th October 2018, the date at which the contract was terminated with the contractor. An impairment of £2.720m has been applied to the prepayment as at 31 March 2018 to represent the loss of non-exchange funding from DFID.

1.6 Assets under Construction

Assets under Construction also forms a significant part of SHG's balances and results in large movements within these Financial Statements. The closing value of Assets under Construction at 31 March 2018 was £75.565m (£86.336m at 31 March 2017). The £10.771m reduction from previous year is the net of £9.841m of new spend in the year and £20.612m being completed and transferred to Property, Plant & Equipment and Intangible Assets. The £20.612m transferred to completed assets comprises of; Rupert's Bay Wharf £16.393m, £2.704m Hospital Refurbishment, Sea Rescue Facility £619k, Intangible Assets of £72k and £689k of other smaller projects. Assets under Construction represents 23% of the gross value of SHG's reported Property, Plant & Equipment and Intangible Assets total.

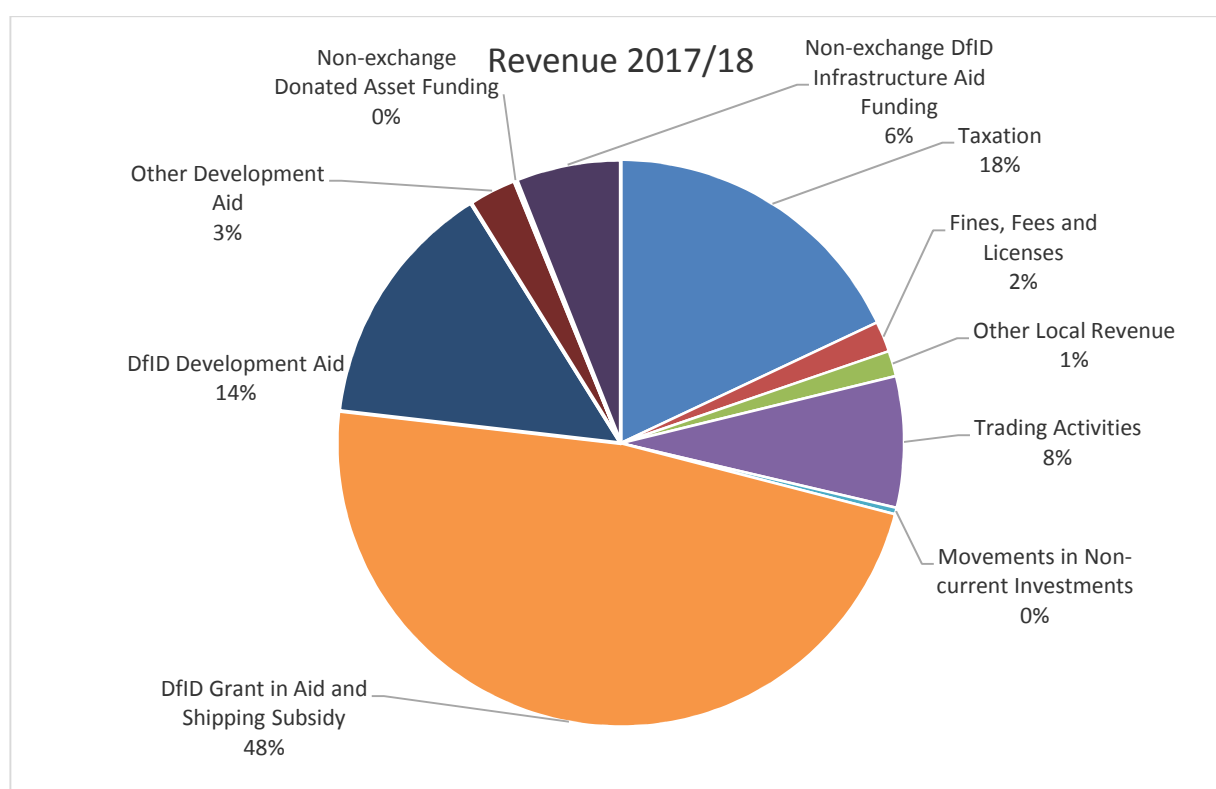
1.7 Statement of Financial Performance

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.

1.7.1 Revenue

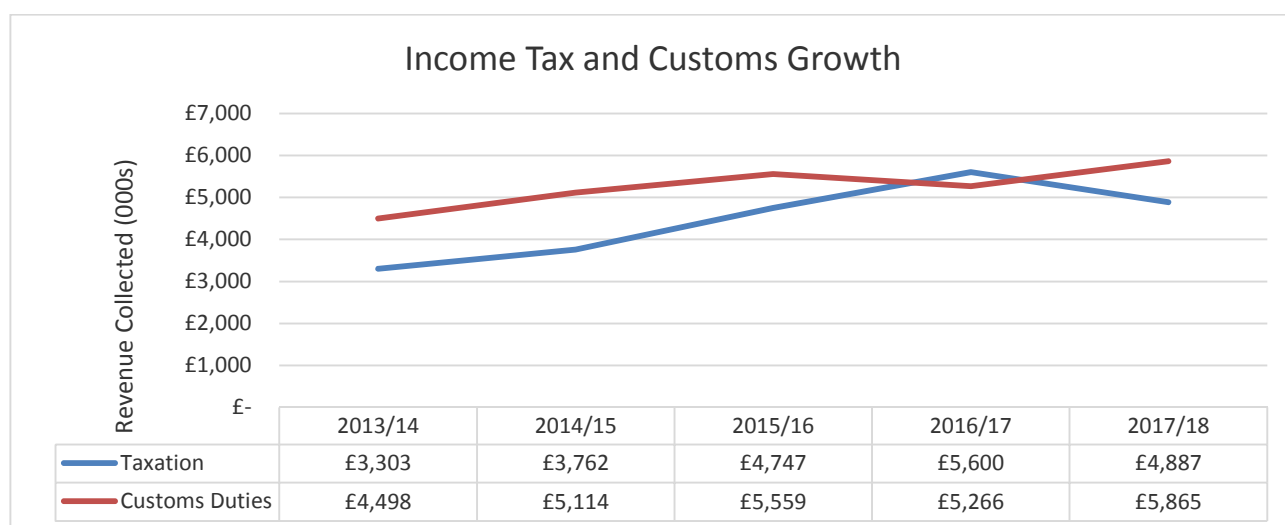
The Statement of Financial Performance shows that total revenue in 2017/18 was £59.744m (£66.893m restated in 2016/17), a decrease of £7.148m from 2016/17. The statement contains a number of non-cash items in order to comply with proper accounting practice, these include the Non-exchange DfID Infrastructure Aid Funding, Donated Assets Funding as well as Movements in Non-current Investments. After excluding non-cash items, total revenue in 2017/18 was £55.858m (£52.614m restated in 2016/17). The decrease in revenue is largely due to decreased Non-exchange DfID Infrastructure Aid Funding for the airport and wharf project builds. As the projects nearer completion, a lower level of funding is required.

The following chart shows the proportion of revenue received from each funding source during the year:



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 £477k lower than the original budget for this financial year (actual £41.635m, budget £42.112m).

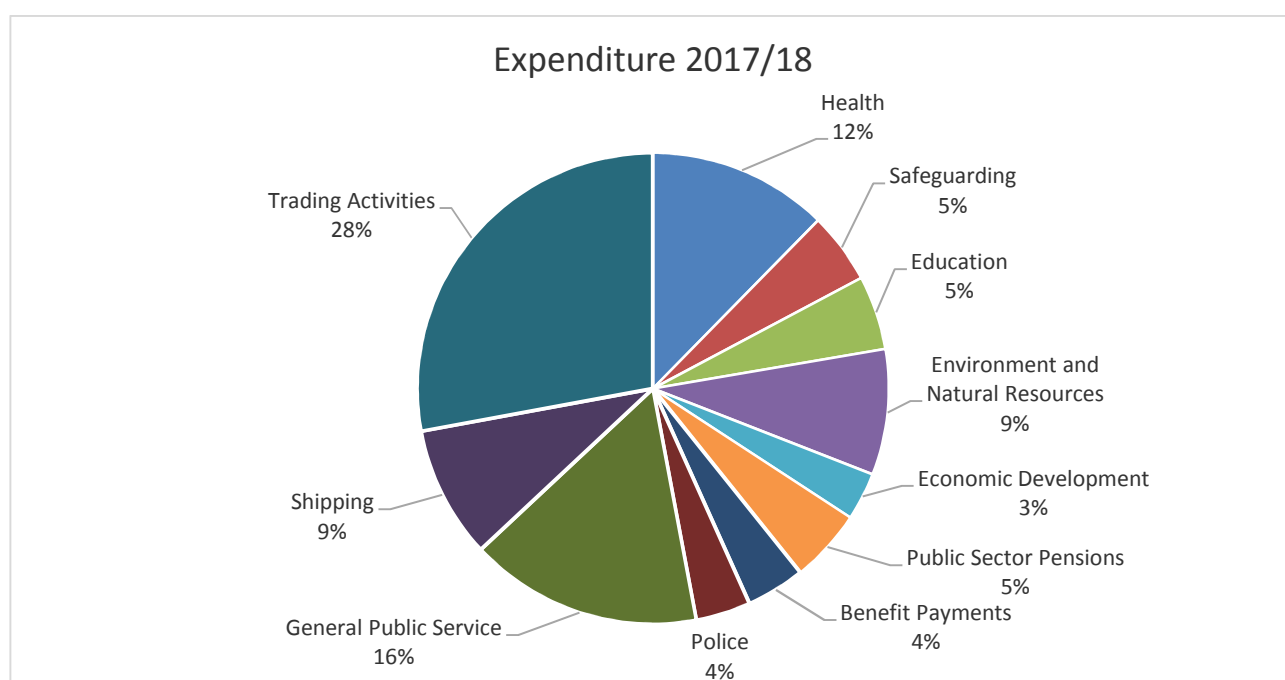
Revenue budgets were developed for Taxation and Customs Duties based on a series of detailed discussions and an agreed macro-economic model adjusted for changes in policies. The model was developed by the Government Economist for economic forecasting, and is expected to provide a consistent basis on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



1.7.2 Expenditure

The Statement of Financial Performance shows that total expenditure in 2017/18 was £66.276m (£65.904m in 2016/17), an increase of £372k from 2016/17.

The following chart shows how total expenditure in 2017/18 was distributed by Head of Expenditure:



The Statement of Financial Performance shows an overall deficit (total revenue less total expenditure) for 2017/18 of £6.531m (restated surplus of £989k in 2016/17). After removing non-cash revenues (listed above) the deficit position decreases further to £10.418m in 2017/18 (deficit of £13.290m restated in 2016/17).

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.

1.8 Statement of Financial Position

The Statement of Financial Position summarises the financial position of SHG at 31 March 2018 and shows the net worth of SHG's assets and liabilities of £241.043m. 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 & Equipment and Investments) with carrying values in the accounts of £310.618m, a decrease of £2,270k from 31 March 2017.

Current Assets have decreased in year by £4.420m. This is largely due to the Prepayments in relation to the Airport Infrastructure Project (£5.395kk) reducing as work is completed, the impairment of the prepayment due to the termination of the contractor in October 2018 and the carrying value of the RMS St Helena (£932k) being recategorised from Property, Plant & Equipment to Assets Held for Sale.

Current Liabilities have decreased by £2.148m. This is a net result of a reduction in the amount we owe to our creditors (our payables), and an increase in the short-term provisions we have had to make to cover potential compensation payments and legal costs in relation to our current litigation cases.

Non-current Liabilities have increased by £5.470m due to the increase of £2.836m in the Actuarial Pension Liability (see Note 11.14 for further details) and an increase of £2.634m of long-term provisions mainly attributable to the new provision for the decommissioning of the Bulk Fuel Installation

1.9 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

1.9.1 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 2018 the Statement of Changes in Net Assets/Reserves shows that the balance on the Consolidated Fund was £239.439m (£245.606m restated at 31 March 2017). This is broadly in line with the previous year.

1.9.2 Special Funds

Special Funds are established by order and enable individual projects and trading activities to be accounted for separately 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 2018 the Statement of Changes in Net Assets/Reserves shows that the balance of Special Funds was £1.604m (£5.450m restated at 31 March 2017). The decrease is mainly due to the new provision of £2.9m for the decommissioning of the Bulk Fuel Installation, and the financing of capital expenditure of £1.036m for the Ground Based Augmentation System (GBAS) at the airport.

1.10 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 increased by £2.605m in year.

1.11 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 2018 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 2018 management accounts.

1.12 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, excluding Assets under Construction, totalled £846k in 2017/18. This is lower than in previous years and represents the purchase of 25 items of IT equipment, 9 health assets, 1 refuse collection vehicle, 1 school bus and other small items of plant, machinery and equipment. In addition to this, 2 items of hospital equipment and a mammography machine were donated to SHG.

Spend during 2017/18 on Assets under Construction was £331k, excluding Airport Infrastructure and the Wharf Project. The majority of this spend was on the refurbishment of the swimming pool and several infrastructure projects.

1.13 General Reserves

Following the year end processes for 2016/17 it was identified that the General Reserve was in deficit. A review was conducted internally and financial management control issues were identified within Corporate Finance and across directorates. These issues have begun to be addressed in 2017/18 and will continue in 2018/19. A number of proposals for replenishing the fund were considered and implemented. This has resulted in a closing balance at the 31 March 2018 of a surplus of £3.697m.

The General Reserve has been replenished in 2017/18 by a transfer of £770k from the BFI Trading Account Special Fund, £1m from the EDF Special Fund and a transfer from the Currency Fund General Reserve of £0.5m.

1.14 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 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 to address these concerns through working with elected members to request the necessary changes to primary legislation 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

2.0 Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the Members of Legislative Council for the Government of St Helena

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 2018, 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 to 4 below, the accompanying financial statements present fairly, in all material respects, the financial position of SHG as at 31 March 2018, 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 £203.660m at 31 March 2018 (£199.589m at 31 March 2017) 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 9.3.5.4 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 were unable 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 restated 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 sufficient appropriate evidence regarding the restated transactions and balances on the DFID Projects Fund at £0.374m overdrawn, and the DFID Infrastructure Fund at £0.540m overdrawn, and the EDF Projects Fund at £0.425m in-hand at 31 March 2018, either from management or by using alternative audit procedures, within the timetable required for reporting the audit. In these circumstances, I am unable to determine whether any further adjustments are necessary to Special Fund balances in Note 11.15.2.1 and as reported in the Statement of Financial Position and Note 9.4 Restatement of Prior Period Figures.

3. Non-current investments

Non-current investments amounting to £28.217m at 31 March 2018 (£28.620m at 31 March 2017) and reported in Notes 11.2.2 and 11.15.1.5 represent the carrying value of SHG's ownership interest in subsidiary entities. The equity interest in the Bank of St Helena Ltd, carried on the basis of net assets of £5.963m at 31 March 2018, forms part of these non-current investments.

Due to restricted access to the financial information and underlying records maintained by the Bank, I was unable to obtain sufficient appropriate evidence about the carrying amount of SHG's investment in the Bank of St Helena Ltd as at 31 March 2018, either from management or by using alternative audit procedures, within the timetable required for reporting the audit. Consequently, I was unable to determine whether any adjustments were necessary to the amount of non-current investments reported in the Statement of Financial Position and Notes 11.2.2 and 11.15.1.5.

4. Customs revenues

Note 10.1 reports revenues from customs duties in the amount of £5.865m which are derived from the ASYCUDA customs system. I was unable to secure adequate appropriate evidence regarding the completeness and accuracy of these revenues either from management or by using alternative audit procedures within the timetable required for reporting the audit. In these circumstances, I am unable to determine whether any adjustments are necessary to the reported customs duties in Note 10.1 forming part of tax revenues in Statement of Financial Performance.

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 commitment by DFID to provide financial support, the funding agreement for the final year to 31 March 2020 has yet to be formalised. In the absence of sufficient grant-in-aid and with limited 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 Related to Going Concern, I have determined there are no other key audit matters to communicate in my report.

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 SHG's 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.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income has been applied to the purposes intended, and conforms to the authorities which govern them.

Opinion on Other Matters Required by Statute

In my opinion, the financial statements have been prepared in accordance with all relevant laws or policies.

Emphasis of Matter

I draw attention to Note 9.1 in the Financial Statements which explains that, under section 10(2) of the Public Finance Ordinance, SHG has lawfully disapplied the requirement to present consolidated financial statements under IPSAS 35. My opinion on other matters required by statute is not modified in respect of this matter.

Phil Sharman
Chief Auditor CA CPFA

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

April 2019

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.

The Financial Secretary confirms that the above responsibilities and obligations have been properly discharged in preparing these financial statements.

Dax Richards
Financial Secretary

Date



4.0 Statement of Financial Performance for the year ended 31 March 2018

		2017/18	Restated
	Note	£000	2016/17
			£000
REVENUE	10.1		
Taxation		10,752	10,866
Fines, Fees and Licenses		1,039	1,069
Other Local Revenue		866	430
Trading Activities		4,468	4,455
Movements in Non-current Investments		221	717
DfID Grant in Aid and Shipping Subsidy		28,542	22,916
DfID Development Aid		8,554	11,739
Other Development Aid		1,636	1,138
Non-exchange Donated Asset Funding		81	0
Non-exchange DfID Infrastructure Aid Funding		3,585	13,562
Total Revenue		59,744	66,893
EXPENDITURE	10.2		
Health		8,188	7,998
Safeguarding		3,232	3,809
Education		3,363	3,146
Environment and Natural Resources		5,710	6,971
Economic Development		2,180	2,511
Public Sector Pensions		3,335	3,212
Benefit Payments		2,676	2,528
Police		2,495	2,109
General Public Service		10,600	16,206
Shipping		6,005	4,148
Airport Operations		0	8,456
Trading Activities		18,492	4,809
Total Expenditure		66,276	65,904
SURPLUS/(DEFICIT) FOR THE PERIOD		(6,531)	989



5.0 Statement of Financial Position as at 31 March 2018

	Note	31 March 2018 £000	Restated 31 March 2017 £000
ASSETS			
Current Assets			
Cash & Cash Equivalents	11.1	5,508	2,903
Investments	11.2.1	1,501	2,503
Recoverables from Non-exchange Transactions	11.3	3,839	3,063
Receivables	11.4.1	1,453	2,815
Inventories	11.5	1,798	2,565
Other Financial Assets	11.6	1,895	7,497
Assets Held for Sale/Distribution	11.7	933	0
		<u>16,927</u>	<u>21,346</u>
Non-current Assets			
Non-Current Investments	11.2.2	28,217	28,620
Receivables	11.4.2	59	128
Property, Plant & Equipment	11.8	282,236	284,140
Intangible Assets	11.9	107	0
		<u>310,618</u>	<u>312,888</u>
Total Assets		<u>327,545</u>	<u>334,235</u>
LIABILITIES			
Current Liabilities			
Payables	11.12	6,640	9,572
Provisions	11.13	1,149	363
		<u>7,789</u>	<u>9,935</u>
Non-current Liabilities			
Pension Liabilities	11.14.2	71,612	68,776
Provisions	11.13	7,102	4,468
		<u>78,714</u>	<u>73,244</u>
Total Liabilities		<u>86,502</u>	<u>83,179</u>
NET ASSETS		<u>241,043</u>	<u>251,056</u>
FUNDS AND RESERVES			
Consolidated Fund	11.15.1	239,439	245,606
Special Funds	11.15.2	1,604	5,450
		<u>241,043</u>	<u>251,056</u>



6.0 Statement of Changes in Net Assets/Reserves for the year ended 31 March 2018

	Consolidated Fund £000	Special Funds £000	Total Reserves £000
Balance at 1 April 2016 Restated	244,178	6,577	250,755
<u>Changes in Net Assets/Reserves:</u>			
Surplus/(Deficit) for the Period (Restated)	5,399	(201)	5,198
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
Balance at 31 March 2017	245,605	5,450	251,055
<u>Changes in Net Assets/Reserves:</u>			
Deficit for the Period	(3,803)	(4,230)	(8,033)
Funds Received	0	5,789	5,789
Funds Applied	0	(4,289)	(4,289)
Use of Funds to Finance Capital Expenditure	1,584	(1,584)	0
Actuarial Losses	(1,217)	0	(1,217)
Recharges	(336)	336	0
Transfers	(132)	132	0
Downward Revaluations	(2,264)	0	(2,264)
Balance at 31 March 2018	239,438	1,605	241,043



7.0 Statement of Cash Flows for the year ended 31 March 2018

	Note	2017/18 £000	Restated 2016/17 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus/(Deficit) for the Period		(6,531)	989
Interest Received		(44)	(89)
<u>Non Cash Movements</u>			
Recognition of Non-exchange DfID Infrastructure Aid Funding	10.1	(3,585)	(13,562)
Depreciation	10.2	9,236	7,802
Impairment of Non-current Assets	10.2	16	6
Net Gain on Disposal of Non-current Assets	10.1	(38)	(144)
Donated Asset Funding	10.1	(81)	0
Share of (Profit)/Loss of Subsidiaries	10.1	402	(690)
Difference in Pensions Earned and Benefits Paid Relating to the Defined Benefit Pension Scheme	11.14	1,619	1,621
Movements in Working Capital	12.1	1,517	5,191
Net Cash Flows from Operating Activities		2,575	1,126
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend Received	11.2	0	20
Interest Received		44	101
Capital Expenditure		(1,111)	(3,243)
Proceeds from the Sale of Non-current Assets		94	742
Investment in Subsidiary		0	1,500
(Increase)/Decrease in Investments		1,001	(696)
Net Cash Flows from Investing Activities		28	(1,577)
NET CASH FLOW FOR THE FINANCIAL YEAR		2,604	(452)
Cash & Cash Equivalents at 1 April	11.1	2,903	3,355
Net Cash Flows		2,604	(452)
Cash & Cash Equivalents at 31 March	11.1	5,508	2,903



8.0 Statement of Comparison of Budget and Actual Amounts for the year ended 31 March 2018

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 2018 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	1,389	1,436	1,391	237	237	225
Human Resources	9,220	8,470	8,332	0	0	0
Police	1,378	1,478	1,416	316	316	308
Corporate Finance	5,666	6,008	5,865	35,841	39,841	39,416
Economic Development	1,200	1,085	1,085	0	0	0
Shipping	4,157	4,477	4,389	4,157	4,157	0
Education	3,291	3,241	3,176	255	255	270
Health	6,141	5,449	5,459	675	675	733
Environment and Natural Resources	3,338	3,497	3,244	555	555	617
Safeguarding	2,458	2,574	2,574	76	76	65
	38,238	37,715	36,931	42,112	42,112	41,635
					Surplus	4,704

Appropriated	Capital Expenditure		
	Original Budget £000	Final Budget £000	Actual £000
Corporate Support, Policy and Planning	0	12	12
Police	0	12	9
Corporate Finance	0	53	50
Education	0	0	34
Health	0	342	256
Environment and Natural Resources	0	49	203
Safeguarding	0	6	6
	0	474	570

Non-appropriated

	Recurrent Expenditure			Revenue		
	Original Budget £000	Final Budget £000	Actual £000	Original Budget £000	Final Budget £000	Actual £000
Pensions and Benefits *	3,874	3,874	3,747	0	0	6
Litigation claims	0	0	638	0	0	0
	3,874	3,874	4,385	0	0	6
TOTAL EXPENDITURE	42,112	42,063	41,886			

* 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 2017 to 31 March 2018.

Appropriation Ordinance 2017, 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 2017. 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 2018 is presented below.

	Operating £000	Investing £000	Net Cash Flow £000
Surplus in Comparable Basis as Presented in the Budget and Actual Comparative Statement	4,767	(570)	4,197
Basis Differences	1,210	551	1,761
Entity Differences	(2,366)	(2,024)	(4,390)
Actual Amount in the Statement of Cash Flows	3,611	(2,043)	1,568

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 2017/18 £000	Special Funds 2017/18 £000	Total 2017/18 £000
REVENUE			
Taxation	10,752	0	10,752
Fines, Fees and Licences	1,038	1	1,039
Other Local Revenue	767	99	866
Trading Activities	0	4,468	4,468
Movements in Non-current Investments	221	0	221
DfID Grant in Aid & Shipping Subsidy	28,542	0	28,542
DfID Development Aid	159	8,395	8,554
Other Development Aid	0	1,636	1,636
Non-exchange Donated Asset Funding	81	0	81
Non-exchange DfID Infrastructure Aid Funding	3,585	0	3,585
Total Revenue	45,144	14,599	59,744
EXPENDITURE			
Health	8,188	0	8,188
Safeguarding	3,187	45	3,232
Education	3,363	0	3,363
Environment and Natural Resources	3,766	1,944	5,710
Economic Development	1,086	1,094	2,180
Public Sector Pensions	3,334	1	3,335
Benefit Payments	2,676	0	2,676
Police	2,470	25	2,495
General Public Service	9,412	1,185	10,600
Shipping	6,005	0	6,005
Trading Activities	5,459	13,033	18,492
Total Expenditure	48,947	17,327	66,276
DEFICIT FOR THE PERIOD	(3,803)	(2,728)	(6,531)

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.

Under the powers of the Financial Secretary vested through the Public Finance Ordinance Section 10 (2) SHG does not present IPSAS 35 Consolidated Financial Statements. The Public Finance ordinance empowers the Financial Secretary to depart from any requirements of International Public Sector Accounting Standards that he deems inappropriate in the circumstances of St Helena. It was determined that the benefits that can be expected to be derived from consolidated financial statements are outweighed by the costs of preparing. The following factors were considered in arriving at this conclusion;

- The complexity associated with the varied nature of the financial reporting frameworks used by group entities and
- The different financial reporting deadlines of the group entities.

The financial statements have been prepared on the historical cost basis.

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. The level of DFID support for 2019/20 has yet to be formally received by SHG. Until such time as the Memorandum of Understanding has been received, there remains a level of material uncertainty over future funding.

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, these items are purchased as a group of assets and economic consumption is recognised over the period that these will generate income, providing that the group of assets still meets the de minimis £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.

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.

9.2.1.9 Intangible Assets

Intangible Assets are created when expenditure on non-monetary assets that do not have physical substance but are controlled by SHG as a result of past events (e.g. software licences), are capitalised and it is expected that future economic benefits or service potential will flow from the intangible asset to the government. Intangible assets are measured initially at cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service area in the Statement of Financial Performance.

Each asset is tested for impairment annually. Any gain or loss arising on the disposal or obsolescence of an intangible asset is posted to the relevant service area in the Statement of Financial Performance.

SHG accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system. If it is integral, it is accounted for as part of the computer hardware item of Property, Plant and Equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the government. The useful life assigned to the major software suites used by the government is five years. The carrying amount of intangible assets is amortised on a straight-line basis and is charged to the relevant cost centres within the Statement of Financial Performance.

9.2.1.10 Assets Held For Sale

The International Public Sector Accounting Standards Board (IPSASB) says that preparers will apply IFRS where there is no applicable IPSAS, SHG has used IFRS 5 *Non-current Assets Held for Sale* as follows;

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell.

Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale they are reclassified back to noncurrent assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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. Taxation revenue collected from Self Employment and Corporation Tax is estimated and accrued for the year as the timing of the return of the annual self-assessment forms means that actuals cannot be used. The estimated accrual is based on the previous year's actuals and is adjusted for inflation and businesses which have closed during the year.

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 (PTY) Ltd for forward funding have been recognised as revenue within the Statement of Financial Performance. Payments made in advance to Basil Read (PTY) Ltd are recognised as revenue to the extent that the amounts are convertible into tangible fixed assets. 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.

At present, there are no new standards that will have a future material impact on the financial statements of SHG.

Two consultation papers and exposure drafts have been issues for public comment. If these become formal standards, amendments and interpretations in the future, SHG will assess their impact and make the necessary adjustments in the preparation of the financial statements.

Consultation Papers and Exposure Drafts	Issued
Exposure Draft 62 – Financial Instruments	August 2017
Exposure Draft 63 – Social Benefits	October 2017

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. For the scheme valuation as at 31 March 2018, the actuarial liability as at 31 March 2016 (updated to allow for the 31 March 2018 assumptions) has been rolled forward by increasing the liability as follows:

- Adding the Current Service Cost (inclusive of member contributions), representing the increase in the present value of the defined benefit obligation resulting from employee service in the period.
- Adding the interest cost, representing the increase in the present value of the defined benefit obligation arising because the benefits are one year closer to settlement.
- Deducting the amount of pension and lump sum payments made during the years since 31 March 2016.
- Adjusting for any experience gain or loss in respect of known significant experience items, such as pay and pension increases.

Previously, pension scheme valuations have been prepared in accordance with IPSAS 25 *Employee Benefits*. This was replaced by IPSAS 39 *Employee Benefits* on 1 January 2018. The changes largely relate to treatment of scheme assets, of which the SHG Pension Scheme has none. IPSAS 39 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 2018:

Assumption	31 March 2018 % a year	31 March 2017 % a year
Rate of return (discount rate)	1.7	1.8
Rate of pay inflation	3.5	3.5
Rate of pension increases	3.5	3.5
Rate of increase in deferred pensions:		
Pre 1 April 2012 leavers	0.0	0.0
Post 31 March 2012 leavers	3.5	3.5
Rate of Return in excess of:		
General pay increases	-1.8	-1.7
Pension increases	-1.8	-1.7
Deferred pensions:		
Pre 1 April 2012 leavers	1.7	1.8
Post 31 March 2012 leavers	-1.8	-1.7

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 2018 (1.7% pa).

The proposed reductions in the rates of return in excess of pay, pension and deferred pension increases would, on their own, increase the value of the liabilities compared to the 2017 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 £1.862 million.
- A rate of return 0.50% in excess of pension increases, and revaluation in deferment would increase the liability by £6.588 million.

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

Life expectancy at age 60	As at 31 March 2018		As at 31 March 2017	
	Men (years)	Women (years)	Men (years)	Women (years)
Current pensioners	24.9	28.6	24.8	28.5
Active members*	26.5	30.1	26.4	30.0

*The life expectancy from age 60 of active and deferred members will depend on their current age. The table shows the life expectancy from age 60 in 2018 for current pensioners and at age 60 in 2033 for active members currently aged 45.

The carrying value of the Actuarial Pension Liability as at 31 March 2018 is £71.612 million (31 March 2017 £68.776 million). 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 with each case being assessed individually.

9.3.2.1 Provision for litigation and claims

SHG has made a provision to cover for 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. In determining the provision SHG relies on estimates provided by the Attorney General which are based on the probability of SHG winning or losing a case. In one case where the Court has determined the amount to be paid to the plaintiff it has been assumed that payments will be made over the next 20 years. The cost has been discounted using the rate on the FTSE Actuaries UK Gilts Index (20 year duration). The discount rate used is 1.7% per annum.

9.3.2.2 BFI decommissioning provision

A provision for £2.9m has been made for the expected decommissioning costs of the Bulk Fuel Installation. The provision has been determined on the basis of a scope of works for BFI decommissioning prepared by SHG's Project Management Unit (PMU). The costs of dismantling are based on prevailing market rates. It has been assumed that the decommissioning work will commence in the immediate future hence cost has not been discounted.

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 2018/19 financial year as there is still the access road and fuel facilities to complete. 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 £139.7 million of airport assets was given to SHG with a further £619k in July 2017. 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 £75.0 million (31 March 2016 £66.7 million).

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 2018/19 financial year, management does not anticipate that any such material adjustment would be recognised until that year.

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 £18.1 million of wharf assets was given to SHG with the final amount of £16.4 million being completed and handed over to SHG in March 2018. This has now been categorised as an infrastructure asset and added to SHG's asset register and depreciated for the financial year in the normal way.

It had been hoped that once the asset was fully operational, a professional valuation would be obtained, and the wharf as a whole, including the exchange and non-exchange components, would be revalued. Unfortunately due to financial and resource constraints, this has not been possible for 2017/18.

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 Saint Helena

The commencement of commercial flights to and from St Helena started in October 2017. At that point it was agreed that the RMS should continue until February 2018 and then it would be decommissioned and sold. C W Kellock were contracted to deal with the sale of the ship. At the beginning of October 2017, active marketing began again on finding a buyer for the ship. At this point, the ship was revalued to a realistic selling price less costs, and the asset was reclassified as Assets Held for Sale.

A buyer was found and the sale was completed in April 2018.

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 three restatements to the figures published and audited for 2016/17.

- Income Tax - we adjusted the prior year figure to accurately reflect the financial year in which income tax was due to us.
- Non-Current Investments – Prior year figures were adjusted to take into account restatements made to the financial statements of subsidiaries i.e. BOSH and Solomon and Co Plc.
- Special Funds – various amounts were moved between DfID Projects, DfID Infrastructure, EDF Projects and Locally Funded Projects. This was to correctly reflect the fund the project revenue or expenditure was within.

9.4.1 Statement of Financial Performance

	2016/17 As previously reported £000	Non- current Investment s £000	Income Tax £000	2016/17 Restated £000
REVENUE				
Taxation	9,854		1,012	10,866
Fines, Fees and Licenses	1,069		0	1,069
Other Local Revenue	430		0	430
Trading Activities	4,455		0	4,455
Movements in Non-current Investments	447	270	0	717
DfID Grant in Aid and Shipping Subsidy	22,916		0	22,916
DfID Development Aid	11,739		0	11,739
Other Development Aid	1,138		0	1,138
Non-exchange Donated Asset Funding	0		0	0
Non-exchange DfID Infrastructure Aid Funding	13,562		0	13,562
Total Revenue	65,610	270	1,012	66,892
EXPENDITURE				
Health	7,998		0	7,998
Safeguarding	3,809		0	3,809
Education	3,146		0	3,146
Environment and Natural Resources	6,971		0	6,971
Economic Development	2,511		0	2,511
Public Sector Pensions	3,212		0	3,212
Benefit Payments	2,528		0	2,528
Police	2,109		0	2,109
General Public Service	16,179	27	0	16,206
Shipping	4,148		0	4,148
Airport Operations	8,456		0	8,456
Trading Activities	4,809		0	4,809
Total Expenditure	65,876	27	0	65,903
SURPLUS/(DEFICIT) FOR THE PERIOD	(266)	243	1,012	989

9.4.2 Statement of Financial Position

	31 March 2017 As previously reported £000	Non- current Investme nts £000	Income Tax £000	Funds & Reserves £000	31 March 2017 Restated £000
ASSETS					
Current Assets					
Cash & Cash Equivalents	2,903		0	0	2,903
Investments	2,503		0	0	2,503
Recoverables from Non- exchange Transactions	2,434		629	0	3,063

Receivables	2,815		0	0	2,815
Inventories	2,565		0	0	2,565
Prepayments	7,497		0	0	7,497
	20,717	0	629	0	21,347
Non-current Assets					
Investments	28,377	243	0	0	28,620
Receivables	128		0	0	128
Property, Plant & Equipment	284,140		0	0	284,140
Investment Property Assets	0		0	0	0
	312,645	243	0	0	312,888
Total Assets	333,362	243	629	0	334,235
LIABILITIES					
Current Liabilities					
Payables	9,956		(384)	0	9,572
Provisions	363		0	0	363
	10,319	0	(384)	0	9,936
Non-current Liabilities					
Pension Liabilities	68,776		0	0	68,776
Provisions	4,468		0	0	4,468
Total Liabilities	83,563	0	(384)	0	83,179
NET ASSETS	249,799	243	1,013	0	251,056
FUNDS AND RESERVES					
Consolidated Fund	244,344	243	1,012	5	245,606
Special Funds	5,455		0	(5)	5,450
	249,799	243	1,012	0	251,056

9.4.3 Statement of Changes in Net Assets/Reserves

	31 March 2017 As previously reported £000	Non-current Investments £000	Income Tax £000	Funds & Reserves £000	31 March 2017 Restated £000
Consolidated Fund					
Balance as at 1 April 2016	244,172	0	0	5	244,177
<u>Changes in Net Assets/Reserves:</u>					
Surplus for the Period	4,147	243	1,012	0	5,402
Use of Funds to Finance Capital Expenditure	3,374		0	0	3,374
Actuarial Losses	(6,360)		0	0	(6,360)
Transfers	(986)		0	0	(986)

Unrealised Loss on Current Investments	(3)		0	0	(3)
Balance at 31 March 2017	244,344	243	1,012	5	245,604

9.4.4 Statement of Cash Flows

	2016/17 As previously reported £000	Non-current Investments £000	Income Tax £000	2016/17 Restated £000
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus/(Deficit) for the Period	(266)	243	1,012	989
Interest Received	(89)			(89)
<u>Non Cash Movements</u>				
Recognition of Non-exchange DfID Infrastructure Aid Funding	(13,562)		0	(13,562)
Depreciation	7,802		0	7,802
Impairment of Non-current Assets	6		0	6
Net Gain on Disposal of Non-current Assets	(144)		0	(144)
Share of Profit of Subsidiaries	(447)	(243)	0	(690)
Difference in Pensions Earned and Benefits Paid Relating to the Defined Benefit Pension Scheme	1,621		0	1,621
Prior period adjustments	0		0	0
Movements in Working Capital	6,204		(1,012)	5,192
Net Cash Flows from Operating Activities	1,125	0	0	1,125
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividend Received	20		0	20
Interest Received	101		0	101
Capital Expenditure	(3,244)		0	(3,244)
Proceeds from the Sale of Non-current Assets	742		0	742
Investments in Subsidiary	1,500		0	1,500
Increase in Investments	(696)		0	(696)
Net Cash Flows from Investing Activities	(1,577)	0	0	(1,577)
NET CASH FLOW FOR THE FINANCIAL YEAR	(452)	0	0	(452)
Cash & Cash Equivalents at 1 April	3,355		0	3,355
Net Cash Flows	(452)		0	(452)
Cash & Cash Equivalents at 31 March	2,903	0	0	2,903

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 a British Overseas Territory and receives funding each year from the UK Government, through the Department for International Development (DfID). DfID Grant in Aid and DfID Shipping Subsidy in 2017/18 totalled £28.5 million (2016/17 £22.9 million), which equated to 62.4% 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	£156,648 (2016/17 £158,799)
Number of persons	12 persons (2016/17 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	£238,736 (2016/17 £245,901)
Number of persons	3 persons (2016/17 3 persons)

Aggregate remuneration for Ex-Officio Members above includes pension contributions of £22,968 (2016/17 £14,429).

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 2017/18 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.

As at 30th June 2018, 6 Councillors had not submitted declaration of interest forms for 2017/18 financial year.

9.5.3 Controlled entities

SHG has a controlling interest in the following reporting entities as at 31 March 2018:

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

Note 13 - Controlled Entities sets out the nature of SHG's controlling interest in each of the controlled entities.

9.6 Events after the Reporting Date

The financial statements were authorised for issue on **XX XX XX** by the Financial Secretary, Dax Richards. Where events taking place before this date provided information about conditions existing at 31 March 2018, 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.

On the 2 October 2018 SHG terminated the Design, Build, Operate and Hand-back contract (DBOH) with Basil Read (PTY) Ltd. The termination of the contract saw SHG take direct control of the Airport operations by setting up an arms-length company limited by guarantee called St Helena Airport Limited (SHAL), with SHG being the sole member. A new board of directors have been established to take on the overall responsibility for the operations at the airport. On the 5 October 2018 the aerodrome certificate was transferred by Air Safety Support International (ASSI) to SHAL and the first flight under the operations of SHAL took place on 9 October 2018.

In addition to the airport operations, the Phase 1 element of the DBOH continues to be delivered by the previous subcontractors of Basil Read (PTY) Ltd who have chosen to contract directly with SHG. A number of former Basil Read (PTY) Ltd employees have also transferred to SHG on fixed term contracts to see the project through to completion. The remainder of the phase 1 works relate to completion and commissioning of the fuel systems. Governance arrangements are being put in place, the Airport project board is being stood up and will support the access office in the delivery of the remaining works.

The UK Government through DFID have agreed to finance the completion costs of Phase 1 as well as to provide the finances needed to maintain airport operations. The costs to completion of the Phase 1 works are being finalised. An exchange of letters will formalise this arrangement.

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. SHG did not have any adjusting events as at 31st March 2018.

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 defaults on the loan it has with the Bank of St Helena, then the Guarantee crystallises and SHG will have an immediate liability. SHG has also issued a letter of comfort to the Bank in respect of a further loan to the Hotel of £500k.

SHG have also 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 paid £32k to Connect St Helena Ltd on behalf of St Helena Fisheries Corporation in March 2018. A further amount of £34k was paid after the 2017/18 year-end.

As at 31 March 2018 there was 1 employment, 1 medical negligence and 4 safeguarding 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

	2017/18 £000	Restated 2016/17 £000
<u>Taxation</u>		
Income Tax (PAYE)	3,433	3,386
Self Employed Tax	322	786
Corporation Tax	729	1,000
Service Tax	364	428
Withholding Tax	39	0
Customs Duty - Alcohol	1,336	987
Customs Duty - Tobacco	989	757
Customs Duty - Petrol	349	344
Customs Duty - Diesel	569	552
Other Customs Duties	2,622	2,626
	10,752	10,866
<u>Fines, Fees and Licenses</u>		
Stamp Duty	65	77
Immigration Fees	51	59
Planning Fees	14	19
Other Fines, Fees and Licences	909	914
	1,039	1,069
<u>Other Local Revenue</u>		
Earnings Government Departments	56	57
Interest Received	35	78
Other Treasury Receipts	611	24
Profit on Disposal of Non-current Assets	75	165
Other Income Received	89	106
	866	430
<u>Trading Activities</u>		
Operating Revenue	4,439	3,616
Interest Received	10	11
DfID Development Aid	0	816
Profit on Disposal of Non-current Assets	19	12
	4,468	4,455
<u>Movements in Non-current Investments</u>		
Share of Profit of Subsidiaries	221	717
	221	717
DfID Grant in Aid and Shipping Subsidy	28,542	22,916
DfID Development Aid	8,554	11,739
Other Development Aid	1,636	1,138
Non-exchange Donated Asset Funding	81	0
Non-exchange DfID Infrastructure Aid Funding	3,585	13,562
	42,398	49,355
Total Revenue	59,744	66,892

10.2 Expenditure by Category

	2017/18 £000	2016/17 £000
Employee Costs	19,806	19,835
Property Costs	645	719
Transport & Plant Costs	67	83
Supplies & Services Costs	9,188	8,818
Administration Costs	1,351	938
Payments to Other Agencies, Bodies or Persons	11,436	9,478
Finance & Other Expenditure	3,778	1,784
Payment to Contractors	9,363	11,624
Depreciation	9,236	7,802
Impairment of Non-current Assets	16	6
Loss on Disposal of Non-current Assets	56	9
Movement on Non-Current Assets	623	285
Provisions Recognised	681	4,520
Provision for Doubtful Debts	29	3
Total Expenditure	66,276	65,903

The fee for the audit of the 2017/18 financial statements is expected to be £61,800 (2016/17 £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.

	2017/18 £000	2016/17 £000
Benefit Payments:		
Basic Island Pension	2,039	1,912
Disabled Allowances	191	202
Social Benefits	436	403
Unemployment Benefits	10	11
	2,676	2,528

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 Recurrent Expenditure					
Corporate Support, Policy and Planning	1,389	47	0	0	1,436
Human Resources	9,220	0	(750)	0	8,470
Police	1,378	100	0	0	1,478
Corporate Finance	5,666	169	0	173	6,008
Economic Development	1,200	0	(115)	0	1,085
Shipping	4,157	320	0	0	4,477
Education	3,291	0	(50)	0	3,241
Health	6,141	(342)	(350)	0	5,449
Environment and Natural Resources	3,338	159	0	0	3,497
Safeguarding	2,458	116	0	0	2,574
	38,238	569	(1,265)	173	37,715
Appropriated Capital Expenditure					
Corporate Support, Policy and Planning	0	12	0	0	12
Police	0	12	0	0	12
Corporate Finance	0	53	0	0	53
Health	0	342	0	0	342
Environment and Natural Resources	0	49	0	0	49
Safeguarding	0	6	0	0	6
	0	474	0	0	474
	38,238	1,043	(1,265)	173	38,189
Non-appropriated					
Pensions and Benefits	3,874	0	0	0	3,874
	3,874	0	0	0	3,874

The First Supplementary Appropriation was approved by Legislative Council on 29 January 2018 and increased the 2017/18 recurrent budgets by £879k based on the latest available forecast.

The Second Supplementary Appropriation was approved by Legislative Council on 27 March 2018 and reduces the recurrent budget by (£310k). A total of £342k was transferred to the 2017/18 capital budget.

The Withdrawal Warrant used to finance the above Supplementary Appropriations was approved by Legislative Council on 28 March 2018 was for a variety of reasons including underspends on Technical Cooperation posts, Enterprise St Helena subsidy payments, overseas scholarships and aero medical evacuations. The Withdrawal warrant totalled £1.265m.

Where there is an urgent and unforeseen call on the consolidated fund as there is no budget for a specific spend, a Special Warrant is requested as the most appropriate means of authorising the expenditure. The Special Warrant approved by Legislative Council on 31 December 2017 was in relation to the short term financial support of St Helena Fisheries Corporation. The Special Warrant totalled £173k.

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 2018 management accounts.

	Appropriated Expenditure			Revenue		
	Final Budget £000	Actual £000	Variation £000	Final Budget £000	Actual £000	Variation £000
Appropriated Recurrent Expenditure						
Corporate Support, Policy and Planning	1,436	1,391	45	237	225	(12)
Human Resources	8,470	8,332	138	0	0	0
Police	1,478	1,416	62	316	308	(8)
Corporate Finance	6,008	5,865	143	35,841	39,416	3,575
Economic Development	1,085	1,085	0	0	0	0
Shipping	4,477	4,389	88	4,157	0	(4,157)
Education	3,241	3,176	65	255	270	15
Health	5,449	5,459	(10)	675	733	58
Environment and Natural Resources	3,497	3,244	253	555	617	62
Safeguarding	2,574	2,574	0	76	65	(11)
	37,715	36,931	784	42,112	41,635	(477)
Appropriated Capital Expenditure						
Corporate Support, Policy and Planning	12	12	0	0	0	0
Police	12	9	3	0	0	0
Corporate Finance	53	50	3	0	0	0
Education	0	34	(34)	0	0	0
Health	342	256	86	0	0	0
Environment and Natural Resources	49	203	(154)	0	0	0
Safeguarding	6	6	0	0	0	0
	474	570	(96)	0	0	0
	38,189	37,501	688	42,112	41,635	(477)
Non-appropriated						
Pensions and Benefits	3,874	3,747	127	0	6	6
Litigation Claims	0	638	(638)	0	0	0
	3,874	4,385	(511)	0	6	6

10.3.1 Revenue

Significant variance to budget is explained for the following directorates:

- Corporate Finance – a favourable variance due to the actual revenue for shipping being included under Corporate Finance whereas the budget is shown under the Shipping. The remaining variance is because Customs revenues (including diesel and other customs duties) not being at the level budgeted.
- Shipping – Actual receipts are included within corporate Finance, as the revenues are collected from DFID as part of the Financial Aid package.
- Health – a favourable variance due to the recovery of medical evacuation costs and an increase in chiller revenue at the mortuary.
- Environment & Natural Resources – a favourable variance due to income in relation to works carried out in the private sector and for Connect St Helena which had not been anticipated during budget preparation.

10.3.2 Recurrent Expenditure

Variance explanations for directorates are as follows:

- Corporate Support – an under spend due to Councillor salary increases that were budgeted for but not approved by year end.
- Human Resources – an under spend mainly due to delays in both overseas training and the recruitment of Technical Co-operation posts.
- Police – this under spend is largely due to the delay in recruitment of staff across the directorate, particularly Police Operations.
- Corporate Finance – the majority of this under spend is presented under other employee costs.
- Shipping – an under spend resulting from shipping subsidy payments being less than budgeted for.
- Education – this under spend results from only one scholarship being awarded (three budgeted for) and fewer apprentices than were expected.
- Environment & Natural Resources – an under spend due to an incorrect appropriation between capital and recurrent expenditure for the year, a reprioritisation of contract works, and budgets being spent later than planned.

10.3.3 Capital Expenditure

Variances in Capital Expenditure for directorates are as follows:

- Police – an under spend related to the timing of capital equipment purchases. This will be charged to the 2018/19 budget.
- Corporate Finance – an under spend due to the swimming pool project. The budget allocation was appropriated to cover additional costs associated with construction.
- Education – an over spend attributable to server costs and Ethernet cabling infrastructure which had been incorrectly charged to recurrent expenditure.
- Health – the majority of the under spend is due to delays in the implementation of Patient Source.
- Environment & Natural Resources – an over spend due to the incorrect coding of capital items as recurrent expenditure. The assets were subsequently capitalised and no budget appropriation made prior to the year end.

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.

2017/18	Education £000	Health and Safeguarding £000	Environment and Natural Resources £000	Shipping £000	Corporate Services £000	Other Services £000	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 £000
Segment Revenue:											
Revenue from External Sources	13	352	364	0	39,213	266	40,207	19,537	0		59,744
Inter-segment Transfers	257	446	253	0	428	49	1,433	0	(1,433)		0
Total Segment Revenue	270	798	617	0	39,640	315	41,704	19,537	(1,433)		59,744
Total Segment Expenditure	3,210	8,296	3,447	4,389	15,650	6,256	41,248	26,461	(1,433)		66,276
Surplus/(Deficit) for the Period	(2,940)	(7,498)	(2,830)	(4,389)	23,990	(5,943)	392	(6,923)	0		(6,531)
Other Information:											
Segment Assets	4,652	8,917	44,455	932	4,150	8,838				256,159	328,105
Segment Liabilities	72	1,139	292	0	2,432	198				82,406	86,503
Costs to acquire Segment Assets	34	288	271	0	62	9				11,078	11,742

2016/17	Education £000	Health and Safeguarding £000	Environment and Natural Resources £000	Shipping £000	Corporate Services £000	Other Services £000	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 £000
Segment Revenue:											
Revenue from External Sources	12	378	354	0	33,421	271	34,436	32,186	0		66,622
Inter-segment Transfers	263	448	205	0	477	0	1,393	0	(1,393)		0
Total Segment Revenue	275	826	559	0	33,898	271	35,829	32,186	(1,393)		66,622
Total Segment Expenditure	2,999	8,673	3,234	2,158	18,419	2,368	37,851	29,418	(1,393)		65,876
Surplus/(Deficit) for the Period	(2,724)	(7,847)	(2,675)	(2,158)	15,479	(2,097)	(2,022)	2,768	0		746
Other Information:											
Segment Assets	4,941	6,092	9,682	4,813	4,883	10,534				292,046	333,991
Segment Liabilities	0	0	0	0	0	0				83,179	83,179
Costs to acquire Segment Assets	18	165	113	0	1,017	187				23,526	25,026

10.5 Termination Benefits

SHG incurred 1 termination benefit payment in 2017/18 (zero employees totalling £0k in 2016/17). To maintain the confidentiality of the amount paid to that one person, and because the amount is immaterial to these Financial Statements, SHG have decided not to disclose the total amount of the termination payment made to this employee.

11.0 Notes to the Statement of Financial Position

11.1 Cash and Cash Equivalents

	31 March 2018 £000	31 March 2017 £000
Bank Deposits	1,259	980
Overseas Call/Current Accounts	4,860	1,368
Overdraft - Bank of Saint Helena	(1,185)	(649)
Cash	574	1,204
	5,508	2,903

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 2018 £000	31 March 2017 £000
Certificates of Deposits	1,501	2,503
	1,501	2,503

SHG's financial assets are measured at fair value on a recurring basis, the carrying amount of these assets is equivalent to their fair value 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 view	31 March 2018 £000	31 March 2017 £000
Available for Sale Financial Assets	Level 1	Unadjusted quoted prices in active market for identical product	1,501	2,503
			1,501	2,503

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.

	2017/18 £000	2016/17 £000
Balance at 1 April	28,620	26,107
Acquisitions in year	0	2,100
Share of Profit/(loss) in Subsidiaries	(402)	433
Transfer to Non-current assets held for distribution	(1)	0
Disbursements Received	0	(20)
Balance at 31 March	28,217	28,620

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

	31 March 2018	31 March 2017
	£000	£000
Bank of St Helena Ltd	5,963	6,090
Connect St Helena Ltd	15,407	15,187
Solomon & Company (St Helena) Plc	5,284	5,283
St Helena Line Ltd	0	1
St Helena Hotel Development Ltd	1,563	2,059
Balance at 31 March	28,217	28,620

IPSAS 34 *Separate Financial Statements* states that SHG must account for the balances and movements from the latest available audited financial statements of its entities. These investments are measured on the basis of the latest available financial statements of each entity.

Further details of SHG's investments in subsidiaries and other controlled entities is provided in the Controlled Entities note 13.01 in these Financial Statements.

11.3 Recoverables from Non-exchange Transactions

	31 March 2018	Restated 31 March 2017
	£000	£000
Income Tax Debtors	990	788
Other Taxes and Duties	433	238
Grant Funding	2,416	2,037
	3,839	3,063

11.4 Receivables

11.4.1 Amounts falling due within one year

	31 March 2018 £000	31 March 2017 £000
Receivables:		
Trade and Other Receivables	951	2,070
Government Landlord Housing	59	47
Bulk Fuel Installation	474	557
	<u>1,484</u>	<u>2,674</u>
Accrued Income:		
Interest	4	2
Other	0	133
	<u>4</u>	<u>135</u>
Loans:		
Housing and House Purchase Loans	99	105
Staff Advances	203	163
Other Advances	22	59
	<u>324</u>	<u>327</u>
	<u>1,812</u>	<u>3,136</u>
Less Provision for Doubtful Debts:		
Trade and Other Receivables	(259)	(218)
Housing and House Purchase Loans	(78)	(81)
Other Advances	(22)	(22)
	<u>(359)</u>	<u>(321)</u>
	<u>1,453</u>	<u>2,815</u>

11.4.2 Amounts falling due after one year

	31 March 2018 £000	31 March 2017 £000
Trade and Other Receivables	0	57
Housing and House Purchase Loans	112	132
	<u>112</u>	<u>189</u>
Less: Provision for Doubtful Debts:		
Trade and Other Receivables	0	0
Housing and House Purchase Loans	(53)	(61)
	<u>(53)</u>	<u>(61)</u>
	<u>59</u>	<u>128</u>

11.4.3 Reconciliation of impairment provision

	Short-term £000	Long-term £000	Total £000
Balance at 1 April 2017	321	61	382
Charge for the year	42	0	42
Unused amounts reversed	(4)	(8)	(12)
Balance at 31 March 2018	359	53	412

11.5 Inventories

	31 March 2018 £000	31 March 2017 £000
Consolidated Fund:		
Pharmacy	164	203
Stamps	27	24
Other	62	140
	253	367
Special Funds:		
Information Technology	67	84
Transport	602	511
Bulk Fuel Installation	1,122	1,873
	1,791	2,468
	2,044	2,835
Less Provision for Slow Moving and Obsolete Inventories:		
Consolidated Fund	0	(50)
Special Funds	(246)	(220)
	(246)	(270)
	1,798	2,565

Inventories recognised in expenditure:

	2017/18 £000	2016/17 £000
Pharmacy	550	578
Stamps	21	39
Other	38	86
Information Technology	77	51
Transport	32	74
Bulk Fuel Installation	4,624	4,419
	5,342	5,247

11.6 Other Financial Assets

	31 March 2018	31 March 2017
	£000	£000
Prepayments	859	6,461
Refund Asset	1,036	1,036
	1,895	7,497

11.6.1 Prepayments

	31 March 2018	31 March 2017
	£000	£000
Other Prepayments	485	157
DfID Funded Airport Project	374	5,769
Wharf Project	0	535
	859	6,461

11.6.2 Refund Asset

	31 March 2018	31 March 2017
	£000	£000
Refund asset on GBAS	1,036	1,036
	1,036	1,036

The Ground Based Augmentation System (GBAS) installed at the St Helena Airport in 2015 has not been commissioned for use due to certification difficulties. Under the terms of the contract with the supplier SHG has a right to a refund if the system cannot be put to use. Due to the difficulties SHG expects to realise value through return of payment made as opposed to use of the asset.

11.7 Non-current Assets Held for Sale/ Distribution

At 31 March 2018 SHG had two non-current assets reclassified to non-current assets held for sale/distribution. The circumstances for the reclassification are given below.

RMS St Helena

The asset has been presented as held for sale during the year following the decision to sell the ship. With the new airport service commencing in October 2017, the St Helena Line passenger and freight service ceased and therefore the asset was surplus to requirements after February 2018. The sale date of the RMS St Helena was 17 April 2018.

	2017/18
	£000
Balance as at 1 April	0
Assets newly classified as Held for Sale: Ships	932
Balance at 31 March	932

Non-current investment in St Helena Line Ltd

With the final voyage of the RMS St Helena being completed on 17 February 2018 the distribution of the assets held by St Helena Line Limited (the company that ran the RMS) became highly probable. The liquidation and distribution of the company assets was expected to be completed in 12 months. The company was wound up on 31 January 2019.

	2017/18 £000
Balance as at 1 April	0
Assets newly classified as held for distribution to owners: Investment in SHL	1
	<hr/> 1
Non-current Assets Held for Sale/ Distribution	<hr/> 933 <hr/>

11.8 Property, Plant and Equipment

2017/18

	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 2017	50,192	87,123	39,785	770	8,983	55,189	86,336	328,378
Transferred to completed assets	3,569	16,955	0	0	0	16	(20,540)	0
Additions	0	0	0	364	0	482	9,769	10,615
Recategorisation	0	0	0	(105)	(932)	0	0	(1,037)
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	0	0	(8,051)	0	0	(8,051)
Disposals	(56)	0	0	0	0	(364)	0	(420)
Balance at 31 March 2018	53,705	104,078	39,785	1,029	0	55,323	75,565	329,485
Accumulated Depreciation & Impairment								
Balance at 1 April 2017	(1,862)	(2,502)	(25,699)	(401)	(4,182)	(9,592)	0	(44,238)
Charge for year	(874)	(1,172)	(503)	(178)	(1,605)	(4,870)	0	(9,202)
Impairments recognised in the Statement of Financial Performance	0	0	0	0	0	(16)	0	(16)
Recategorisation	0	0	0	69	0	0	0	69
Other Movements	0	0	0	0	0	(14)	0	(14)
Disposals/Assets held for sale	0	0	0	0	5,787	364	0	6151
Balance at 31 March 2018	(2,736)	(3,674)	(26,202)	(510)	0	(14,128)	0	(47,250)
Net Book Value at 31 March 2018	50,969	100,404	13,583	519	0	41,195	75,565	282,235

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

11.8 Property, Plant and Equipment (continued)

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	25,025
Recategorisation	0	60	(60)	0	0	0	0	0
Revaluation increases 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	(37,295)
Charge for year	(808)	(1,032)	(462)	(150)	(1,990)	(3,393)	0	(7,835)
Impairments recognised in the Statement of Financial Performance	0	0	0	(5)	0	(1)	0	(6)
Recategorisation	0	(60)	60	0	0	0	0	0
Disposals	146	29	0	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

11.8.1 Change in Useful Lives of Assets

During the annual existence and impairment testing exercise, it was found that there were 16 assets held within Air Access that needed their estimated remaining useful lives changing. This was due to deterioration of assets faster than originally expected. The total depreciation charge for 2017/18 for the assets whose useful lives had changed was £1.538m. Had the useful lives not changed, the total depreciation charge for those assets would have been £381k. It is envisaged that this change in useful life, and subsequent increase in annual depreciation, will remain until the assets are tested again for existence and impairment at the end of the 2018/19 financial year.

11.8.2 Impairments

Following the existence and impairment testing exercise, it was determined that one asset was impaired and the carrying value of that asset has been reduced by £16k (2016/17 two assets totalling £6k). A further 28 assets were also considered to have been impaired but the net book value of those assets were zero and so this had nil impact on the financial statements.

During 2017/18, the impairment was due to one item of plant and machinery found to be leaking. The total impairment of £16k was charged to the Statement of Financial Performance.

11.9 Intangible Assets

	2017/18 £000
Balance as at 1 April	0
Recategorisations:	
Cost	105
Amortisation	(69)
Additions	18
Transfer of completed assets from Assets under Construction	72
Amortisation for the period	(19)
Net Carrying Amount at End of Year	107
Comprising:	
Gross Carrying Amounts	195
Accumulated Amortisation	(88)
	107

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.

In total SHG is the lessor of 109 residential, 36 commercial and 47 non-operational leases. The total value of annual lease payments for 2017/18 was £22k for residential leases, £34k for commercial leases and £38k for non-operational leases. The total low value of these lease receipts deems any further notes in these Financial Statements unnecessary.

11.11 Capital Commitments

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 2018 totalled £192.3 million (31 March 2017 £192.3 million). The total contract milestone payments have not changed since the previous year because no further milestone payments were made in the year, only variation order payments.

As at 31st March 2018 this was still a capital commitment as we did not know the future of Basil Read (PTY) Ltd at this point. Since then, SHG has terminated its contract with Basil Read (PTY) Ltd but the capital commitment still exists but will be fulfilled by SHG and its sub-contractors.

11.12 Payables

	31 March 2018 £000	31 March 2017 £000
Payables:		
Trade Payables	1,437	831
Other Payables	17	88
	<u>1,454</u>	<u>919</u>
Deposits:		
Currency Fund	5	214
Other	368	279
	<u>373</u>	<u>493</u>
Accruals:		
Staff Benefits	1,080	1,126
Other	3,053	4,829
	<u>4,133</u>	<u>5,955</u>
Income Received in Advance:		
Income Tax	220	108
Grant Funding	460	2,073
Other	0	24
	<u>680</u>	<u>2,205</u>
	<u>6,640</u>	<u>9,572</u>

11.13 Provisions

	Short-term 2017/18 £000	Long-term 2017/18 £000	Total 2017/18 £000
Balance at 1 April 2017	363	4,468	4,831
Provisions recognised	570	3,735	4,304
Provision released	(162)	(723)	(884)
Transfer from long-term to short-term	378	(378)	0
Balance at 31 March 2018	<u>1,149</u>	<u>7,102</u>	<u>8,251</u>

The above 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. One long-term provision for £2.9m is for the expected decommissioning costs of the Bulk Fuel Installation. 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 2017/18 was £443k (2016/17 £360k). As at 31 March 2018 SHG held £233k of pension contributions on behalf of employees which was due to be transferred to the MiSaint Pension Scheme (31 March 2017 £121k). This liability is recorded in Deposits.

11.14.2 Defined Benefit Pension Scheme (DBPS)

Movement in actuarial pension liability

	2017/18 £000	2016/17 £000
Balance at 1 April	68,776	60,795
Movement in the year due to:		
Current service cost	1,677	1,467
Interest cost	1,241	1,341
Expense for year	2,918	2,808
Pension benefits paid	(1,299)	(1,187)
Actuarial (gains)/ losses	1,217	6,360
Balance at 31 March	71,612	68,776

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 £2.918 million has been recorded within Public Sector Pensions in the Statement of Financial Performance. This consists of:

	2017/18 £000	2016/17 £000
Current service cost	1,677	1,467
Interest cost	1,241	1,341
Total charge to Statement of Financial Performance	2,918	2,808

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

Previously, pension scheme valuations have been prepared in accordance with IPSAS 25 Employee Benefits. This was replaced by IPSAS 39 Employee Benefits on 1 January 2018. The changes largely relate to treatment of scheme assets, of which the SHG Pension Scheme has none.

A valuation of the Actuarial Pension Liability was obtained as at 31 March 2018. 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 2018 £000	31 March 2017 £000	31 March 2016 £000	31 March 2015 £000	31 March 2014 £000
Statement of Financial Position:					
Actuarial Pension Liability	71,612	68,776	60,795	48,424	34,620
Statement of Changes in Net Assets:					
Experience (Gains)/Losses Arising on Scheme Liabilities	(390)	126	3,145	(161)	141
Changes in Actuarial Assumptions	1,607	6,234	7,856	13,304	(4,421)
Net Actuarial (Gain)/Loss on Scheme Liabilities	1,217	6,360	11,001	13,143	(4,280)

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 2018 £000	Restated 31 March 2017 £000
General Reserve	11.15.1.1	3,697	304
Capital Reserve	11.15.1.2	46,896	48,076
Revaluation Reserve	11.15.1.3	3,698	5,962
Pension Reserve	11.15.1.4	(71,612)	(68,776)
Investments in Subsidiaries Reserve	11.15.1.5	28,217	28,620
Aid Funded Infrastructure Reserve	11.15.1.6	233,598	235,854
Donated Asset Reserve	11.15.1.7	143	86
Litigation Reserve	11.15.1.8	(5,201)	(4,520)
		239,436	245,606

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 2018 £000	Restated 31 March 2017 £000
Balance at 1 April	304	3,320
Surplus for the Period	5,734	823
Use of General Reserve to Finance Payment of Pension Benefits	(1,299)	(1,187)
Use of General Reserve to Finance Capital Expenditure	(570)	(183)
Recharges	(336)	(986)
Transfers between reserves	(132)	0
Loss on Financial Assets	(3)	(3)
Transfer of Working Capital to Subsidiary	0	(1,500)
Disbursements Received	0	20
Balance at 31 March	3,697	304

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 2018 £000	31 March 2017 £000
Balance as at 1 April	48,076	48,854
Use of General Reserve to Finance Capital Expenditure	570	183
Use of Special Funds to Finance Capital Expenditure	1,584	3,374
Depreciation	(3,262)	(3,462)
Impairments	(16)	(6)
Disposal of Non-current Assets	(56)	(574)
Revaluations charged to the Statement of Financial Performance	0	(293)
Balance at 31 March	46,896	48,076

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 2018 £000	31 March 2017 £000
Balance as at 1 April	5,962	294
Ending of Transitional Arrangements - Upward revaluation of assets	0	5,668
Downward revaluation of assets not charged to the surplus for the period	(2,264)	0
Balance at 31 March	3,698	5,962

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 2018 £000	31 March 2017 £000
Balance at 1 April	(68,776)	(60,795)
Current service cost	(1,677)	(1,467)
Interest cost	(1,241)	(1,341)
Use of General Reserve to finance payment of pension benefits	1,299	1,187
Actuarial losses	(1,217)	(6,360)
Balance at 31 March	(71,612)	(68,776)

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.

IPSAS 35 Consolidated Financial Statements states that SHG must account for the balances and movements from the latest available audited financial statements of its entities. Investments are measured on the basis of the latest available financial statements of each entity.

	31 March 2018 £000	31 March 2017 £000
Balance at 1 April	28,377	26,107
Share of Profit/(loss) of Subsidiaries	(402)	433
Investments funded from the General Reserve	0	1,500
Transfer to Non-Current assets held for distribution	(1)	0
Gain on Transfer of Non-current Assets	0	600
Disbursements Received	0	(20)
Balance at 31 March	28,217	28,620

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.

	31 March 2018 £000	31 March 2017 £000
Balance at 1 April	235,854	226,581
DfID Infrastructure Aid Funding	3,585	13,562
Depreciation	(5,841)	(4,289)
Balance at 31 March	233,598	235,854

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.

	31 March 2018 £000	31 March 2017 £000
Balance at 1 April	86	110
Non-Exchange Donated Asset Funding	81	0
Depreciation	(24)	(14)
Other movements	0	(10)
Balance at 31 March	143	86

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 2018 £000	31 March 2017 £000
Balance at 1 April	(4,520)	0
New claims arising	(1,403)	(4,520)
Claims settled	42	0
Provisions released	680	0
Balance at 31 March	(5,201)	(4,520)

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 (Restated) £000	DfID Technical Cooperation £000	DfID Infrastructure (Restated) £000	DfID Funded ST Technical Cooperation £000	EDF Projects (Restated) £000	Locally Funded Projects (Restated) £000	UNDP Projects £000	Environmental Management Projects Fund £000	Total £000
Balance as at 31 March 2016	962	(230)	(375)	62	1,144	204	19	(28)	1,758
Funds Received	18	0	4,938	0	730	0	40	367	6,093
Funds Applied	(3)	0	(3,428)	(62)	(659)	(92)	(41)	(362)	(4,647)
Funds Applied to Finance Capital Expenditure	(18)	0	(1,854)	0	(863)	0	0	0	(2,734)
Transfers	(226)	0	0	0	0	0	0	0	(226)
Balance as at 31 March 2017	734	(230)	(719)	0	353	112	18	(23)	244
Funds Received	1,897	230	2,026	0	1,292	0	36	309	5,790
Funds Applied	(1,960)	0	(1,780)	0	(219)	0	(44)	(285)	(4,289)
Funds Applied to Finance Capital Expenditure	(1,036)	0	(67)	0	0	0	0	(16)	(1,119)
Recharges	(8)	0	0	0	0	0	0	(1)	(9)
Transfers between reserves	0	0	0	0	(1,000)	0	0	0	(1,000)
Balance as at 31 March 2018	(374)	0	(540)	0	425	112	10	(16)	(382)

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	Airport Trading Account £000	Total £000
Balance as at 31 March 2016	232	774	(119)	57	(4)	3,219	0	4,159
Surplus (Deficit) for the Period	141	(38)	0	66	(127)	(396)	0	(354)
Funds Applied to Finance Capital Expenditure	0	(640)	0	0	0	0	0	(640)
Transfers	2	445	0	(2)	213	575	0	1,123
Balance as at 31 March 2017	375	541	(119)	121	82	3,398	0	4,398
Surplus/(Deficit) for the Period	42	44	0	18	16	(4,666)	225	(4,321)
Funds Applied to Finance Capital Expenditure	(342)	(124)	0	0	0	0	0	(466)
Recharges	(51)	407	0	11	(10)	(12)	0	345
Transfers between reserves	250	0	0	0	0	882	0	1,132
Balance as at 31 March 2018	274	868	(119)	150	88	(398)	225	1,087

11.15.2.3 Special Funds – Other Funds

	Government Landlord Housing Capital Fund £000	Improvements and New Construction Revolving Fund £000	Capital Receipts Fund £000	Animal Husbandry Fund £000	Total £000
Balance as at 31 March 2016	388	21	237	14	660
Surplus for the Period	0	20	122	6	148
Balance as at 31 March 2017	388	41	359	20	808
Surplus/(Deficit) for the Period	64	17	11	0	92
Balance as at 31 March 2018	452	58	370	20	900

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.

As such the credit quality of investments of investments held at 31 March 2018 is A-2.

The carrying amount of financial assets represents the maximum credit exposure in relation to deposits in banks and financial institutions. There was no evidence at the reporting date that such entities would be unable to meet their commitments. The credit rating of cash at bank and deposits is BB which is the credit rating of SHG's main bankers – Crown Agents.

SHG generally allows 30 days credit for its Trade Receivables. At the reporting date the carrying value of Trade and Other Receivables outstanding was £951k (2016/17 restated to £2.070m). At the reporting date the carrying values of Housing and House Purchase Loans was £21k (2016/17 £24k). The terms and conditions of the loans vary in terms of interest rate applied and the length of each individual loan.

For the purpose of determining the credit quality and risk of default posed by Trade receivables SHG considers history of payments. In line with this methodology Trade receivables are classified into the following credit quality groups.

High – If the debtor has not defaulted past invoices.

Low – If the debtor has defaulted in the past.

The credit quality of the balance of trade receivables that are neither past due or impaired is made up, as follows:

Type	High £000	Low £000	Total £000
Receivables	207	118	325
Loans	19	3	22
Accrued income	4	0	4
Total	230	121	351

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.

Type	Up to 30 days £000	31 - 60 days £000	Over 60 days £000	Gross £000	Impaired £000	Net £000
Receivables	325	656	503	1,484	(241)	1,243
Loans	22	34	380	436	(170)	266
Accrued income	4	0	0	4	0	4
Total	351	690	883	1,924	(411)	1,513

On 17 May 2016 SHG signed an agreement with the Bank of St Helena Ltd to act as guarantor for a loan issued to St Helena Hotel Development Ltd. In addition SHG issued a letter of comfort to the Bank in respect of a further loan of £500k. The signing of the agreement with Bank of St Helena Ltd and the issuance of a comfort letter is an activity that has exposed SHG to potential credit risk if St Helena Hotel Development Ltd default on their contractual obligations of the £1,500,000 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 2018, the value of investments held as Floating Rate Note deposits was £1.5 million (31st March 2017 £2.5 million). Total interest earned by SHG on cash surpluses during 2017/18 was £26k (2016/17 £68k). As this is not a significant element of total revenue, SHG is not deemed to be exposed to significant interest rate risk.

11.16.4 Currency risk - the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

SHG purchases Jet Fuel and obtains medical services and equipment internationally exposing it to currency risk arising from currency exposures, primarily with respect to the Rand and US dollars.

Sensitivity analysis - at 31 March 2018, if the pound had strengthened by 5% against the South African Rand and the United States dollar, with all other variables held constant, the surplus for the year would have been £5,406 higher. Conversely, if the pound had weakened by 5% against the South African Rand and the United States dollar, with all other variables held constant, the surplus for the year would have been £5,975 lower.

These movements are attributable to translation of Rand and United States dollar denominated creditors.

12.0 Notes to the Statement of Cash Flows

12.1 Movements in Working Capital

	Note	2017/18 £000	2016/17 £000
Decrease in Receivables	11.3, 11.4	655	196
(Increase)/Decrease in Inventories	11.5	768	(679)
Decrease in Prepayments	11.6	(328)	332
Increase/(Decrease) in Payables	11.12	(2,933)	924
Increase in Provisions	11.13	3,419	4,418
		1,581	5,191

13.0 Controlled Entities

SHG has a controlling interest in the following reporting entities as at 31 March 2018:

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 2017/18 was £27k (2016/17 £42k), none of which remained payable at the year end (2016/17 £0k). As at 31st March 2018, St Helena Fisheries Corporation had a long-term loan with SHG for £174,000 representing working capital contributions.
- SHG holds current accounts and cash deposits with the Bank of Saint Helena for which no interest is payable or receivable. The closing balance of these accounts at the year-end can be seen in the Cash and Cash Equivalents note.
- SHG provided Enterprise St Helena (ESH) with a subsidy of £1.085m (2016/17 £1.1m) 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.
- 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 subsidy of £668k in 2017/18 (2016/17 £605k). This was to support their running operations. In 2016/17 they received an additional £233k for a water shortage grant. In addition, Connect St Helena Ltd received an £864k rebate of customs duties paid on fuel (2016/17 £843k), of which £185k was still to be paid at 31 March 2018 (£142k as at March 2017).
- 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 2017/18 was £483k (2016/17 £1.471m) of which £183k remained payable at 31 March 2018 (31 March 2017 £291k).
- St Helena Line Ltd receives a subsidy each year from SHG. In 2017/18 this amounted to £3.75m (2016/17 £1.76m) of which none remained payable at 31 March 2018.
- 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
- During the 2017/18 financial year, SHG spent £510k on 3 fixed asset projects on behalf of Connect St Helena St Helena. This spend will be converted in to shares in 2018/19.

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 34 *Separate Financial Statements* or IPSAS 35 *Consolidated 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.

IPSAS 34 *Separate Financial Statements* and IPSAS 35 *Consolidated Financial Statements* states that SHG must account for the balances and movements from the latest available audited financial statements of its entities. These investments are measured on the basis of the latest available financial statements of each entity.

SHG's interest in Solomon's is 62.947%. This applied to the figures below amounts to SHG's interest in net assets being £5,284k (£5,283k at 31 March 2017) and the interest in net profit/loss totalling £21k (£130k 2016/17).

Entities in which SHG holds an ownership interest

Entity	Controlling Interest	Financial Reporting Framework	Net Assets		Net Profit/(Loss)	
			31 March 2018	Restated 31 March 2017	2017/18	Restated 2016/17
			£000	£000	£000	£000
Bank of St Helena Ltd	Wholly owned. Board of Directors appointed by the Governor.	Financial Reporting Standard 102.	5,963	6,090	(127)	372
Connect St Helena Ltd	Wholly owned. Non-executive membership of the Board.	Financial Reporting Standard 102.	15,407	15,187	(284)	(201)
Solomon & Company (St Helena) Plc	Majority shareholder (62.9%)	Financial Reporting Standard 102.	8,395	8,392	33	130
St Helena Line Ltd	Majority shareholder (99%)	Financial Reporting Standards for Smaller Entities - accruals basis	0	1	0	0
St Helena Hotel Development Ltd	Wholly owned. Non-executive membership of the Board.	Financial Reporting Standard 102.	1,563	2,059	(503)	(28)
			31,328	31,729	(881)	273

Other entities controlled by SHG

Entity	Controlling Interest	Financial Reporting Framework	Net Assets/(Liabilities)		Net Profit/(Loss)	
			31 March 2018	Restated 31 March 2017	2017/18	Restated 2016/17
			£000	£000	£000	£000
St Helena Currency Fund	Commissioners appointed by the Governor.	International Public Sector Accounting Standards	1,021 (unaudited)	1,699	(68) (unaudited)	169
St Helena Fisheries Corporation	Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis	(311)	(168)	(143)	(232)
Enterprise St Helena	Board Members appointed by the Governor.	Financial Reporting Standards for Smaller Entities - accruals basis	1,236	1,207	29	(346)
			1,946	2,738	(182)	(409)

SHG through Great Peter Nominees Limited, holds 124,100 shares, being 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.

14.0 Statement of Trust Fund Movements



Statement of Trust Fund Movements for the year ended 31 March 2018

	Balance at 1 April 2016 £	Receipts in year £	Payments in year £	Balance at 31 March 2017 £	Receipts in year £	Payments in year £	Balance at 31 March 2018 £
Alexander Bequest Fund	1,400	3	(13)	1,390	2	0	1,392
Arnold Memorial Christmas Gift Fund	519	1	0	520	0	0	520
Arnold Memorial Hospital Trust Fund	7,006	54	(1)	7,059	7	(1)	7,065
Bain Gray Prize Trust Fund	1,391	3	0	1,394	1	0	1,395
Bovell Trust Fund	1,225	3	(13)	1,215	1	(8)	1,208
Eliza Mary Lloyd Trust Fund	3,871	60	(42)	3,889	1,451	(710)	4,630
Leslie & Ted Moss Trust Fund	2,588	5	(1)	2,592	3	0	2,595
Solomon's Trust Fund	13,619	31	(201)	13,449	16	(201)	13,264
Total	31,619	160	(271)	31,508	1,481	(920)	32,069

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 Ltd.

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 2017/18

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 2017/18. 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, transparent and accountable manner. There is a strong correlation between effective governance and effective service delivery.

The draft Statement was considered at the Audit & Risk Committee meeting on 26 June 2018, following endorsement by the SHG Core Leadership 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 and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

As at 31 March 2018 SHG had spent £48.351m ¹(recurrent and capital expenditure from the Consolidated Fund) and had a workforce of 834 staff (831 full time equivalents). Of these, 104 (FTE) were "Technical Cooperation" (TC) Officers.

The following directorates delivered services during the financial year 2017/18:

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

¹ SHG Management Accounts 2017-2018.

- Provision of primary and secondary sector education for children ages 5 – 18
- Early years provision for children from age 3 to compulsory school age
- Operation of the St Helena Community College, which offers a range of general education and technical and vocational education courses as well as higher education and professional studies distance learning provision and an examination centre for international professional and technical examinations
- Provision of the Island's Public Library

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

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

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

- Adults Community Service
- Specialist Services for people with disabilities
- Children and family services including Residential Children Home
- Safe Haven Project providing preventative services and a refuge for people experiencing Domestic Violence/abuse
- Adult Residential care and Sheltered Accommodation
- Home care services in the community

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
- Landscape and Ecology Mitigation Programme for the Airport project
- 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 goals and 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.

The Corporate Governance – Guidance to Public Officers paper was updated in July 2017. The paper seeks 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 on a regular basis and updated as necessary.

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.

Following a Governance Overview report by Internal Audit in 2017/18, SHG adopted the International Federation of Accountants (IFAC) framework² as its primary governance framework. A checklist of governance responsibilities has been developed based predominantly on this guidance but also incorporating some elements from other widely accepted guidance. The Head of Internal Audit and Chief Secretary have reviewed this comprehensive checklist on a “comply or explain” process and the resulting action plan will be reviewed on an ongoing basis. The formal review of the complete checklist will be repeated on an annual basis.

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, Director of Health, Director of Safeguarding and Director of Environment and Natural Resources.

15.6 Business Delivery Group

² International Framework: Good Governance in the Public Sector – IFAC/ CIPFA July 2014.

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 10 Year 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, Chief of Police, Director of Education & Employment, Director of ENRD, Director of Health, Director of Safeguarding, Airport Director, Corporate Services Executive Manager, Head of Human Resources, Head of Internal Audit and ESH representative. There were occasions when representatives from the directorates attended instead of the Director.

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 four 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 six other members, including members with Finance, HR and operational experience. Four of the current members do not work within SHG.

In 2017/18, the Committee welcomed a new member who will "attend" via Skype from the UK and who brings significant internal audit, accounting and governance expertise and experience to the Committee.

In order to strengthen the position of both the Audit & Risk Committee, and Internal Audit, the process was started in 2017/18 to introduce legislation to give a statutory basis to both.

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 (and non-voting officers) with the following responsibilities as set out in the Schedule to the Council Committees (Constitution) (No. 2) Order, 2013:

Economic Development Committee – Subject to relevant laws, and to policies of the Governor in Council, the Committee has policy responsibility for Government business concerning economic development, investment, tourism, agriculture, fisheries, labour market, communications (including media, telecommunications, postal services); shipping and port management; and for policy relating to any legislation relevant to those subjects.

Education Committee – Subject to relevant laws, and to policies of the Governor in Council, the Committee has policy responsibility for Government business concerning education (including, specifically, schools, skills and lifelong learning) and for policy relating to any legislation relevant to those subjects.

Environment & Natural Resources Committee – Subject to relevant laws, and to policies of the Governor in Council, the Committee has policy responsibility for Government business concerning infrastructure (including utilities); environmental management; lands (including crown estate); land use planning and development control; and forestry; and for policy relating to any legislation relevant to those subjects.

Public Health Committee – Subject to relevant laws, and to policies of the Governor in Council, the Committee has policy responsibility for Government business concerning health (including health services, preventive health services, environmental health, and public health); disaster management; health and safety; and for policy relating to any legislation relevant to those subjects.

Social and Community Development Committee – Subject to relevant laws, and to policies of the Governor in Council, the Committee has policy responsibility for Government business concerning social security; social services; pensions; housing (including Government Landlord Housing); legal system (including the Constitution, Human Rights, and Immigration); civil society (including non-government organisations); community centres; culture and heritage; leisure, sports and recreation; employment rights; and for policy relating to any legislation relevant to those subjects.

There is also a Children's Safeguarding Board and an Adult's Safeguarding Board. The purpose of the St Helena Safeguarding Children's Board is to ensure every child growing up in St Helena has the best possible start in life. The Board believes that by helping families and the community to support their children and young people in these valuable years, it can promote positive, long-term impacts on the children's future health, wellbeing and achievements and encourage them to thrive and prosper in adulthood. The Board's vision supports the St Helena Island 10 Year Plan 2017 - 2027. The Board is chaired by a suitable professional who is appointed by the Governor. The chairman of the board is required to report directly to the Governor on urgent issues and provide a yearly report. 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:

- Children and Young People get the best start in life, they are physically and emotionally healthy
- Children and Young People are safe and secure
- Families are resilient and able to access support when they feel they need it

These 3 priorities are being delivered via the Strategic Plan which has a range of work groups and development streams.

The Adult Safeguarding Board was established in July 2017. It's overarching principles are:

- All work must have a focus upon the people of the St Helena Community and the outcomes they want
- Board members will demonstrate collaborative leadership, supporting, integrating and holding partner agencies to account
- Effective interfaces are essential with other boards such as the Safeguarding Children's Board, Social and Community Development Board
- Ensuring concerns are addressed proportionately

The strategic priority for the Board which was agreed in November 2017, is to lead upon the development of appropriate and relevant Adult Social and Health care Legislation. This will roll over to 2018/19.

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 2017/18, the following Ordinances were enacted:

- The General Amendment (Gender Equality) Ordinance
- The Employment Rights (Amendment) Ordinance
- The Appropriation Ordinance 2017/18
- The Elections (Amendment) Ordinance
- The Law Revision (Miscellaneous Amendments) Ordinance
- The Marriage Ordinance
- The Welfare of Children (Employment of Children) Ordinance
- The Welfare of Children (Cruelty to Children and Young Persons) Ordinance
- The Domestic Abuse Ordinance

- The Port and Aerodrome Health Ordinance
- The First Supplementary Appropriation Ordinance
- The Second Supplementary Appropriation Ordinance

In addition to the above, Executive Council approved the following subsidiary legislation:

- The Registration of Electors (Amendment) Regulations, 2017
- The Financial Services Regulations, 2017
- The Aerodrome Charges (Amendment) Regulations, 2017
- The Mental Health and Mental Capacity (Lasting Power of Attorney) Regulations, 2017
- The Social Security (Amendment No 2) Regulations, 2017
- The Welfare of Children (Children's Residential Home) Regulations, 2018
- The Petroleum (Amendment) Regulations, 2017

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.

One policy (the Consultation Policy) was approved by Executive Council during 2017/18.

15.11 Risk Management

In 2017/18, 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 Corporate 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 2016/17 to evaluate and revise mitigation plans as circumstances change. These risks are reported on at the end of the financial year.

Risks now form part of the Monthly Corporate Performance Report. The 2016/17 Strategic Corporate Risk Register was reviewed in January 2017. The revised Register took effect from June 2017, reporting on the first quarter of 2017/18 and was discussed at Business Delivery Group meetings on a monthly basis.

Risk management continues to develop within SHG. The Core Leadership Group currently reviews the Corporate Risk Register on a quarterly basis and the Risk Management Team provides a progress report to the Audit and Risk Committee on a quarterly basis.

Internal Audit continues to work with the Risk Management team and carried out a formal audit in 2017 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.

As a result of 2017 audit, a Risk Management Manual was produced and implemented in June 2017, to provide an overview of the risk management processes within SHG and to give practical guidance for the management of risk within Directorates.

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

1. Human Resources
2. Finance
3. IT Infrastructure

The most commonly cited specific risks were “staff/skills shortage”, “budget constraints”, “lack of capital funding” and “over-reliance on and/or loss of DFID funding”.

15.12 Performance Management

The 2017/18 Directorate Strategic plans were linked directly to the 10 Year Plan 2017 - 2027. 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 Business Delivery Group meetings. A full Corporate Performance Report for 2017/18 is in the process of being finalised.

43% of indicators (including KPIs) gained a green rating, 30% an amber rating and 18% a red rating. There were also 9% with no rating as data was not available at the time the report was finalised. The performance report that was used in 2017/18 had 44 indicators.

15.13 Budget Management

Directors and other Accounting Officers have responsibility for the effective management of their respective Directorate budgets. Directorate budgets are developed using the Medium Term Expenditure Framework (MTEF) process in accordance with the Strategic Planning and Budgeting Guidelines that are issued corporately. This framework is designed to align budgets with the strategic priorities of the St Helena Government.

Following the Appropriation process through Legislative Council in April 2017, Directors were required to phase their budgets against the approved budget allocations. This is the process to forecast how they plan to spend the money throughout the year and when they anticipate revenue would be received. This was provided to Corporate Finance who has the overall responsibility of monitoring SHG's expenditure, revenue and financial position. 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 Corporate Finance produced a set of Management Accounts that compared budget with actual expenditure/revenue and explained any material variances. There are no set parameters for obtaining material variances; it depends on the correlation of the total value of the budget to the value of the variance. The monthly Management Accounts is presented on a monthly basis to the Core Leadership Group, to the Department for International Development (DFID) and sent to all Elected Members. In the last quarter, of the financial year, the Management Accounts were presented to and discussed with the Chairpersons' Assembly, to reinstate formal reporting by the Administration to the politicians.

During the preparation of September's Management Accounts, Directorates were also required to review their forecast figures for periods October to March 2018. This provided SHG with an early indication of the potential year-end 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 Bills that were approved/ enacted in January and March 2018.

To ensure accurate information was being reported, Directorates' submissions were reviewed and challenged by Corporate 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 Corporate Finance for assistance, when there is uncertainty with the process.

Following two reviews carried out by SHG and DFID respectively, a number of recommendations were made to Management to address weaknesses in financial management capability and capacity within Corporate Finance and SHG as a whole. Corporate Finance has during the year taken steps to address those issues and implement the recommendations to build capacity and strengthen public financial management across government. As a result, the performance management and financial reporting functions have been separated into two separate units to clearly define the roles and responsibilities for financial management and a new post of Management Accountant has been recruited to. Further resource building is planned which will see financial management strengthened in SHG.

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 2017/18 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 Corporate Finance 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 2017/18. However, there remained an issue with the timely completion of these reconciliations and checks. But with additional resources planned for 2018/19 it is envisaged that this issue will be addressed. The Fixed Assets Register has been updated as part of the preparation of the 2017/18 financial statements. However, it is planned that in future, the Register will be updated on a monthly basis.

Internal Audit carried out a review of the Main Accounting System as part of the 2017/18 Internal Audit plan which resulted in **substantial assurance** being given. The report included 6 agreed actions (3 significant and 3 desirable) – including one which had been agreed in the 2015/16 reported but had subsequently lapsed. Further work is included in the 2018/19 internal audit plan.

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 2017/18, this was done using an online survey and incorporated an interim survey, although the planned peer challenge process was not undertaken due to unavailability of key officers. This process is now the responsibility of the Deputy Chief Secretary and will be further developed for the 2018/19 statement.

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

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

The assurance levels are those reported by respondents and have not been fully independently assessed or verified.

Area	Priority 1	Priority 2	Priority 3	Priority 4	Priority 5
Airport	Maintaining airport certification	Ongoing management of airport operations phase (Phase 2) - Air Services. Management of scheduled air services to St Helena and the Air Services Agreement with SA Airlink	Successful completion of programmed works under airport construction phase (Phase 1)	Taking over of Airport Project construction phase (Phase 1) works as programmed, handover to SHG and adoption by relevant parties, disbandment of Airport Directorate Phase 1 team	Ongoing management of airport operations phase (Phase 2) - Airport Operations. Ongoing management of Operations Contract with Basil Read, focusing on business growth and development at St Helena Airport
Education & Employment	School improvement (raising attainment)	Human capital development (with the directorate and across the community through SHCC)	Staffing	Inclusion	More effective systems
ENRD	Reorganise the Directorate to form two Directorates to improve service delivery	Ensure all statutory obligations are met, e.g. EPO, Fisheries legislation, LDCO etc.	Deliver our Strategic Plan in line with the St Helena's 10 Year Plan	Develop and deliver strategies to further enhance outputs of the Directorate e.g. EPO related policies, invasive species management, fisheries strategy, waste management services	Delivery of continuous improvement agenda
Health	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	Keep people safe by reducing crime	Build trust and confidence	Responding to incidents	Work with partners to solve problems of most concern	-
Safeguarding	Processes and Systems are in place to protect the vulnerable	Investing in our staff	Develop residential services to enhance quality of care delivered	Promoting well-being and inclusion to encourage independence	Support Vulnerable people to contribute economically and socially
Corporate Finance	Effective Public Financial Management across SHG	Timely Financial and Management Reporting	Security of local tax revenues	Modernisation of HM Customs service	Securing alternative external funding

Area	Priority 1	Priority 2	Priority 3	Priority 4	Priority 5
Corporate Support/ Corporate Services	Conducting General Election; arranging induction programme and Post-Election Seminar and ensuring Councillors' ongoing training and coaching needs are met	Supporting elected Members - Ex Co and Leg Co and the PAC	Ensuring provision of efficient and effective IT infrastructure and support services	Keeping the public informed through timely information releases and through consultation and engagement where appropriate	Implementing Prospective of Change commitments and monitoring and managing contracts (Swimming Pool, Public Transport and Cleaning)
HR	Embedding Continuous Improvement	Talent Management & Succession Planning	Employee Engagement & Reward	Learning & Development	Workforce Planning & Cadre Reviews
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	To provide sound legal advice in a timely manner	To draft legislation and advise on its impact	To lead Chambers to be a centre of excellence adopting best practice, delivering quality legal services	Providing value for money and keeping costs under control	Offering training to staff to ensure SHG's exposure to liability is minimised

Key

Full assurance	Substantial	Moderate	Partial	No assurance
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Respondents were also asked to identify the biggest 3 challenges faced within their area in 2017/18 and also the biggest 3 challenges foreseen for 2018/19.

Although there was some difference between years, there was a significant number of ongoing challenges being carried over from one year to the next. A high proportion of the challenges identified related to the availability of appropriate resources – both human and financial.

In 2017/18, Accounting Officers were also asked to give assurance on compliance within their directorates in the following areas:

- Financial Regulations
- Procurement Regulations
- IT Security
- HR Policies and Processes
- Information Management
- Fraud and Related Negligence – and associated policies

10 out of the 10 respondents from whom assurances were received gave full assurance in respect of Procurement Regulations (although in some cases this might have been largely due to limited procurement activity being undertaken in the year). The areas which received the lowest levels of assurance were Information Management and Financial Regulations with 6 respondents giving full assurance and the remaining 5 giving partial assurance in each case.

2 respondents gave full assurance in all 6 areas, 4 in 5 areas, 1 in 4, 3 in 3 and the remaining 1 gave full assurance in only 2 areas with partial assurance in one other and “No Assurance” in respect of IT Security.

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 2017/18 (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

Several governance issues have been identified through Directorates, Self- Assessments, summary work and Internal Audit, as well as in discussion with the Business Delivery Group (BDG). These areas of weaknesses are being monitored by the respective directorates and in most cases actions have been carried over to 2018/19 as outlined overleaf:

Issue No	Weakness	Proposed action	Deadline	Person responsible	Position	Update - June 2018
1	Shortage of suitably qualified and experienced staff	<p>For staff in post, ensure all training needs resultant from the TNA is communicated to Education for SHCC and any apprenticeship schemes.</p> <p>Work with directorates to get staff trained in line with competency framework for job roles.</p> <p>A future leaders programme and continuous improvement consultancy will also develop staff's experiences at work.</p> <p>Continue to advertise widely when applicable.</p>	TNA analysis completed by 31 July 2017	Barbara George	Head of HR	<p>All staff are required annually to complete a TNA identifying the skills gaps to the essential requirements and/ competency and/qualification frameworks to ensure they meet the requirements for the roles. The form also allows staff identified for succession planning to identify their medium to long-term learning and development needs, which is then included for facilitation through the TCT budget. To date, 16.2% TNA returns have been received corporate wide, despite constant reminders. An SHG Training Plan was produced at the end of May 2018 and shared with the SHCC to feed into their prospectus, including Distance Learning needs.</p> <p>In order to address skills gaps and build capacity in our work force, and for staff to be able to access training through the SHCC, Managers need to ensure all staff complete and submit their TNA's to CHR by no later than 1 August 2018.</p> <p>All future leaders have successfully completed their probationary periods on the programme and continue to work with their mentors and receive coaching with OPC as part of their development.</p> <p>SHG vacancies are advertised widely, including local media and the SHG website.</p>

Issue No	Weakness	Proposed action	Deadline	Person responsible	Position	Update - June 2018
2	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 Organisational Development once in post.	Update through Annual Assurance Letter – 30 April 2018	John Kanes	Head of Internal Audit	These issues continue to be considered in all internal audit work and identified improvements are discussed with management and implemented by them on a case-by-case basis. I would not consider this - in itself - to be a homogenous control weakness.
3	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.	Interim report on progress to BDG on progress by 31 December 2017	Jerry Roberts	Head of IT	The interim report is based on the necessity for SHG to continue to invest in robust IT Systems, which will allow Directorates to deliver tangible business goals, hence contributing towards the sustainability of Social Development and Economic growth. It should also be noted that SHG has already made considerable investment, particularly in terms of Information Systems. So the purpose of this exercise was to depict all technology currently in use in order to consider where gaps, inefficiencies and opportunities for improvement exist.

Issue No	Weakness	Proposed action	Deadline	Person responsible	Position	Update - June 2018
4	Lack of agreed and effective formal governance relating to information management	Action plan to be developed and endorsed by CLG and BDG	31 August 2017	Carol George/ Gilly Francis	Corporate Services Executive Manager/ Assistant Chief Secretary (Support)	<p>Whilst there has been some progress by Directorates in identifying the information that they hold and associated retention periods, no progress has been made on developing an agreed overarching action plan.</p> <p>This will be addressed in early July on the return of the Head of Internal Audit, who had suggested in 2017 that a new group be formed to drive improvements in information management within SHG.</p> <p>The optimum way forward will be discussed with the Chief Secretary, taking into account the aspiration of Elected Members to develop FOI and data protection legislation for St Helena as soon as possible.</p>
5	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	31 October 2017	Gilly Francis	Assistant Chief Secretary (Support)	<p>The document <i>Corporate Governance - Guidance to public officers - version 2</i> was reviewed by Core Leadership in January 2018. No amendments made.</p> <p>Document was re-issued to all staff and is available on SharePoint. It is also flagged in Corporate Induction sessions.</p>

Issue No	Weakness	Proposed action	Deadline	Person responsible	Position	Update - June 2018
6	Ineffective form of communication structures and processes - both internal and external	To put in place a central Corporate Communications function which will be responsible for all of SHG's internal and external communications	31 March 2018	Kerisha Stevens	Head of Press Office	While a Corporate Communications function has not yet been established, the Head of News working with the Future Leaders has commenced an internal communications project to find a solution to internal communication and to better understand the problems/issues. The results of this project will inform the way forward for the Press Office to assume the role of internal communications.

Weaknesses added in amended AGS						
Issue No	Weakness	Proposed action	Deadline	Person responsible	Position	Update - June 2018
General Reserves						
7	It was identified during 2017 that the General Reserve had a deficit of £714k at the 31 March 2017, following yearend processes	<p>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.</p> <p>A number of proposals for replenishing the fund have been considered and will be affected.</p>		Dax Richards	Financial Secretary	<p>There were a number of interventions in 2017/18 which has replenished the general reserve and as at 31 March 2018 the General Reserve is projected to be circa £4.119m.</p> <p>Corporate Finance is implementing a restructure across the finance function of SHG to address the capacity and capability gaps which have been identified as a contributing factor to the depletion of the General Reserve.</p> <p>Roles and responsibilities have been clearly defined to ensure the appropriate governance measures are being implemented.</p> <p>A new Cadre will be introduced in 2018 to facilitate the development of local capacity across the finance function within SHG, this will clearly link rewards with the achievement of the required competencies.</p>

Issue No	Weakness	Proposed action	Deadline	Person responsible	Position	Update - June 2018
Commercial Air Services						
8	<p>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.</p> <p>After much analysis it was deemed that an interim air service was needed which could operate in the conditions at the St Helena</p>	<p>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.</p> <p>Whilst the regularity of the service is the same as was originally envisaged, the capacity of the new service by comparison is reduced.</p>		Janet Lawrence	Airport Director	<p>Scheduled air services to St Helena have been in operation since October 2017.</p> <p>Aeropolitical issues have meant that it has not been possible to connect with flights to Cape Town at Windhoek, as was originally planned. The remainder of the route linking Johannesburg and St Helena via Windhoek remains in place. Work is underway to secure the necessary Freedom Rights for the original link to Cape Town to be reinstated alongside this.</p> <p>Flights over the period January - March 2018 were to capacity and it is believed there was unmet demand. An additional midweek flight has since been secured for the peak season (December - April) to meet anticipated demand, starting in the 2018/19 peak season.</p> <p>Work is taking place to examine ways of increasing demand during the 2018 low season (May - November).</p>

Issue No	Weakness	Proposed action	Deadline	Person responsible	Position	Update - June 2018
Commercial Air Services continued						
8	Airport until such time that the wind shear issue could be addressed					An Air Services Review is planned for July 2018 which will inform future planning for the Air Service.
Medical Negligence						
9	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	<p>There is now a process for continual review of clinical governance arrangements within the Health service.</p> <p>New incident reporting, complaints procedure and patient feedback systems are now in place.</p> <p>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.</p>		Akeem Ali	Director of Health	<p>There are new arrangements in place with defined policies, protocols and guidelines already written to cover several clinical areas.</p> <p>Morbidity and Mortality review meetings are in place to discuss complex cases, learn lessons and change practice. Incident reporting, complaints and feedback management and practice feedback loops have also been introduced. Health professionals undertake CPD.</p> <p>Nevertheless, there is more work to do re audits, sustained cover for the clinical governance lead posts and fully embedding the framework.</p>

Issue No	Weakness	Proposed action	Deadline	Person responsible	Position	Update - June 2018
BFI Infrastructure						
10	The new Bulk Fuel Installation was not completed as envisaged in 2016/17. This was due in part to slippage on construction works but also partly due to the development of a SA 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.			Janet Lawrence	Airport Director	<p>The Bulk Fuel Installation is now expected to be commissioned in November 2018 and Basil Read (Phase 1) will demobilise from St Helena shortly thereafter.</p> <p>Planning is in progress for Penspen to adopt and operate the BFI.</p> <p>Concern remains that increased risk is being transferred to SHG due to delays and cost increases.</p> <p>Discussions and contingency planning ongoing with key stakeholders.</p>

The Core Leadership Group will continue to monitor progress on these issues throughout the year.

15.17 Certification

The Governance Framework as described above was in place in the Government of St Helena for the year ended 31 March 2018.

Signed

Susan O'Bey

Chief Secretary/Head of the Public Service
St Helena Government

Date

16.0 Glossary of Terms and Abbreviations

Accounting Policies

The rules and practices adopted by SHG that determine how the transactions and events are reflected in the accounts.

Accounting Period

The period of time covered by the accounts, normally a period of 12 months commencing on 1st April. The end of the accounting period is the Balance Sheet date.

Accruals

Amounts included in the accounts for income or expenditure in relation to the financial year but not received or paid as at 31 March.

Actuarial Gains and Losses

These arise where actual events have not coincided with the actuarial assumptions made for the last valuations (known as experience gains and losses) or the actuarial assumptions have been changed.

Amortisation

A measure of the cost of economic benefits derived from intangible fixed assets that are consumed during the period.

Annual Governance Statement

The annual governance statement is a statutory document that explains the processes and procedures in place to enable SHG to carry out its functions effectively.

Asset Held for Sale

Assets are classified as held for sale if their carrying amount is going to be recovered principally through a sale transaction rather than through continued use. This excludes from consideration any assets that are going to be abandoned or scrapped at the end of their useful lives.

Assets under Construction

It is not always that fixed assets are acquired in their complete form, sometimes they are built progressively over a period of time. When Fixed Assets are being built over time, they are treated as assets under construction, and then they are capitalised or settled to a fixed asset (s) or other settlement objects, upon completion.

Balances (or Reserves)

These represent accumulated funds available to SHG. Some balances (reserves) may be earmarked for specific purposes for funding future defined initiatives or meeting identified risks or liabilities. There are a number of unusable reserves, which are set out for technical purposes. It is not possible to utilise these to provide services.

Capital Expenditure

Payments for the acquisition, construction, enhancement or replacement of assets such as land, buildings, roads, and computer equipment.

Capital Receipts

Income received from the sale of land, buildings or equipment.

Capital Reserve

A reserve set aside from revenue resources or capital receipts to fund capital expenditure and certain other capital financing transactions.

Consolidated Fund

The Consolidated Fund is SHG's main account which contains all of its recurrent income and expenditure.

Contingent Asset

An asset arising from past events, whereby its existence can only be confirmed by one or more uncertain future events not wholly within the control of SHG.

Contingent Liability

A contingent liability is either:

- a possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of SHG; or
- a present obligation arising from past events where it is not probable that there will be an associated cost or the amount of the obligation cannot be accurately measured.

Current Service Cost

An estimate of the true economic cost of employing people in a financial year. It measures the full liability estimated to have been generated in the year.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employee pays regular fixed contributions as an amount or as a percentage of pay, and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to the employee service in the current and prior periods.

Depreciation

A measure of the cost of the economic benefits of the tangible fixed asset consumed during the period.

Department for International Development (DFID)

The Department for International Development is a United Kingdom government department responsible for administering overseas aid.

Events after the Reporting Date

These events, both favourable and unfavourable, occur between the Statement of Financial Position date (31 March) and the date on which the statement of accounts are signed.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of SHG, which need to be disclosed separately by virtue of their size or incidence to give a fair representation in the accounts.

Expected Return on Assets

For a defined benefit scheme, this is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan, but a longer-term measure based on the value of assets at the start of the year taking into account movements in assets during

Fixed Assets

Assets that yield benefit to SHG and the services it provides for a period of more than one year.

Impairment

A reduction in the carrying value of a fixed asset below its carrying value (due to obsolescence, damage or an adverse change in the statutory environment).

Interest Cost

For a defined benefit pension scheme, is the amount needed to unwind the discount applied in calculating the defined benefit obligations (liability). As members of the plan are one year closer to receiving their pension, the provisions made at present value in previous years for their retirement costs need to be uplifted by a year's discount to keep pace with current values.

Infrastructure Assets

A class of assets whose life is of indefinite length and which are not usually capable of being sold, such as roads and footpaths.

Intangible Fixed Assets

'Non-financial' fixed assets that do not have physical substance but are identifiable and are controlled by SHG through custody or legal rights. Purchased intangibles, such as software licences, are capitalised at cost whilst internally developed intangibles are only capitalised where there is a readily ascertainable market value for them.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) are a set of accounting standards developed by an independent, not-for-profit organisation called the International Accounting Standards Board (IASB)

International Public Sector Accounting Standards (IPSAS)

International Public Sector Accounting Standards (IPSAS) are a set of accounting standards issued by the IPSAS Board for use by public sector entities around the world in the preparation of financial statements.

Investments

Deposits for less than one year with approved institutions.

Inventory

Inventory or stock refers to the goods and materials that SHG holds for the ultimate purpose of use, resale or repair.

Liability

A liability is the measure of future payments or other economic settlement that SHG is obliged to make to other entities as a result of past transactions or other past events.

Past Service Cost

A cost arising from decisions taken in the current year but whose financial effect is derived from years of service earned in earlier years.

Payables

Amounts owed by SHG for goods and services received but not paid for as at 31 March. These may be classified as short-term (due within 1 year) or long-term (due in more than 1 year).

Prior Year Adjustment

A material adjustment applicable to prior years arising from changes in accounting policies or correction of fundamental errors.

Provisions

A liability that is of uncertain timing or amount which is to be settled by transfer of economic benefits.

Receivables

Amounts owed to SHG for goods and services provided but where the associated income was not received as at 31 March. These may be classified as short-term (due within 1 year) or long-term (due in more than 1 year).

Related Parties

Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party, to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source, to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related Party Transaction

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for a related party, irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- the provision of services to a related party, including the provision of pension fund administration services; and

Reserves

An amount set aside for a specific purpose in one year and carried forward to meet future obligations.

Revenue Expenditure

Day to day payments on the running of Council services including salaries, wages, contract payments, supplies, services and capital financing costs.

Statement of Financial Performance

A statement which details the total income received and expenditure incurred by SHG during a year in line with IFRS reporting as required by the Code.

Statement of Financial Position

The statement of financial position, often called the balance sheet, is the financial statement that reports the assets, liabilities, and reserves of SHG on a given date (31 March).