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31 March 2020

The Chief Auditor  
Audit St Helena  
New Porteous House  
Jamestown, St Helena,  
STHL 1ZZ

Dear Sir

## **St Helena Government Letter of Representation for the Financial Year ended 31 March 2019**

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other members and officers of St Helena Government, the following representations given to you in connection with your audit of the Government financial statements for the year ended 31 March 2019.

### **Compliance with the statutory authorities**

I acknowledge my responsibility for the preparation of the financial statements in accordance with the International Public Sector Accounting Standards, which present fairly the financial position and financial performance of the Government, as set out in the terms of the audit engagement letter dated 9 May 2019, for the completeness of information provided to you and for making accurate representations to you.

### **Supporting records**

All relevant information and access to persons within the Government has been made available to you for the purpose of your audit, and all the transactions undertaken by the Government have been properly recorded and are reflected in the financial statements. All other records and related information, including any additional information that you have requested from us and minutes of all Government and committee meetings, have been made available to you.

### **Fraud and Irregularities**

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

I confirm there has been no:

- fraud, or suspected fraud, affecting the entity involving management or employees who have significant roles in the system of internal control; or
- fraud, or suspected fraud, affecting the entity involving others where the fraud could have a material effect on the financial statements

I also confirm that I have disclosed:

- the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud
- my knowledge of fraud, or suspected fraud affecting the entity, involving either management, employees who have significant roles in the system of internal control or others where fraud could have a material effect on the financial statements; and
- My knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Significant assumptions**

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

I also confirm for material estimates:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the process;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures;
- the completeness and appropriateness under the financial reporting framework; and
- If subsequent events require adjustment to accounting estimates this is disclosed within the financial statements.

### **Laws and regulations**

I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial.

Otherwise I confirm that transactions and events have been carried out in accordance with law, regulation or other authority.

I am satisfied on the completeness of disclosure of contractual commitments existing at the reporting date.

The Government has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

## **Litigation claims and contingent liabilities**

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed and accounted for and disclosed in accordance with the applicable financial reporting framework.

I also confirm that there all material contingent liabilities existing at the reporting date have been adequately and completely disclosed in note 9.6 of the financial statements.

## **Related party transactions**

I confirm the completeness of the information disclosed regarding the identification of related parties and all the related party relationships and transactions of which I am aware.

The identity of, and balances and transactions with, related parties have been properly accounted for and where appropriate, adequately disclosed in the Financial Statements.

## **Events after the reporting period**

All events occurring subsequent to the date of the Financial Statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

## **Uncorrected misstatements**

I acknowledge the existence of errors and uncertainties as listed in Appendix C to the Management Letter and which may affect the presentation of the Financial Statements once further work has quantified the full extent of these unadjusted misstatements.

These uncorrected disclosure misstatements have been discussed with Executive Council as those charged with governance within the Government of St Helena.

I am satisfied that the remaining uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole.

## **Restatement of prior year information**

I confirm the restatement to the items listed in Note 9.7 to the Financial Statements were necessarily made to the controlled entities figures published and audited for 2017/18 in response to the following:

- Bulk Fuel Installation – the value of inventory in transit at 31 March 2018 was restated to include the costs relating to purchasing, shipping and duty as a direct comparative to 31 March 2019. Payables was increased by the same amount of £0.690m.
- St Helena Hotel Development Ltd – 2017/18 was adjusted to accurately reflect BOSH loans at amortized cost using the effective rate method. Cost of sales and administrative expenses were also adjusted to show a more reasonable apportionment of direct costs including electricity, water, gas and staff costs. This meant an overall increase of £0.089m in the net loss for the year.

Comparative figures for the prior period have been revised where appropriate to be comparable with changes in classification in the current year.

## **Specific representations**

### **i) Going concern**

I confirm that the going concern basis of preparation remains appropriate notwithstanding the uncertainty in respect of the formal agreement on financial assistance to be provided by DFID as grant-in-aid for the next financial year.

### **ii) Termination Benefits**

I confirm that the termination benefits disclosed in note 9.5 represent benefits paid to employees where termination of employment was facilitated by way of a compromise agreement. The disclosures included in this note are complete and accurate.

### **iii) Impairments of PPE**

Impairment losses recognized and disclosed in note 11.8.2 are complete and have been reasonably based on the expected loss in the future economic benefits or service potential of each affected asset over and above the depreciation charge.

### **iv) Aid funded infrastructure**

In respect of the Roads, Airport and Wharf infrastructure funded by DFID I confirm that there are no conditions giving cause for SHG to recognise a liability in respect of either the transferred asset or funds advanced to the constructor. Furthermore, the carrying value of both the Roads, Airport and Wharf are based on management's best estimate using information available at reporting date.

### **v) DFID funded assets**

I confirm that capital assets (purchased directly and indirectly through DFID as well as Infrastructure assets (both completed as well as under construction), reported within Note 11.7 – Property, Plant & Equipment, are accounted for on the basis of rights and obligations vesting in SHG, albeit that legal title may vest with DFID pending the formal transfer of these assets to SHG.

### **vi) Capital work in progress**

I confirm that assets under construction (Note 11.7 – Property, Plant & Equipment) represent genuine assets under construction and the listings provided for audit are complete in all material respects, and that where assets are completed these are signed off by personnel of appropriate knowledge and expertise to do so.

### **vii) Biological Assets**

I confirm, consistent with accounting policies and recognition criteria under IPSAS 27, SHG does not have any material biological assets.

**viii) Defined benefit pension liability**

The actuarial assessment of the defined benefit pension scheme was arrived at using the projected unit method and represents the best estimate of the expert appointed by SHG for the purpose of quantifying SHG's post retirement liability under statute.

I acknowledge the responsibility for setting the assumptions used by the actuary rests with SHG. As explained in Note 9.3.1 these assumptions represent the best unbiased estimates of the variables that will determine the ultimate cost of providing post-employment benefits. They include reasoned management judgements relating to the discounts used, the rate at which salaries are projected to increase, the rate of projected pensions increases and changes and mortality rates.

I confirm that the recognition of a constructive obligation for future pensions increases arises from a reasoned management judgement based on the pattern of historic behavior rather than an absolute legal right to annual pensions increases.

**ix) Overdrawn Reserves and Special Funds**

I confirm there is no contravention with any legislation or regulations of St Helena in respect of those reserves special funds reporting negative balances at 31 March 2019.

**x) Material misstatements in controlled entities**

I confirm that the Financial Statements of SHG controlled entities, as listed in Note 13 to the Financial Statements, do not contain any material misstatements.

**xi) Accruals vs Cash basis of accounting in respect of the Statement of Budget and Actual Amounts**

I confirm that accruals expenditure recognised in the financial statements, such as the litigation provision, need not be recognised as an actual amount for the purposes of the Statement of Comparison of Budget vs Actual Amounts as listed in Note 8.0 and therefore do not require appropriation.

**xii) Expenditure in Excess**

I confirm that no Heads of Expenditure were in excess in the period 2018/19 as shown in Note 10.3 and hence procedures to lay and approve these per section 106 are not applicable.

**xiii) Provision for decommissioning costs**

I confirm that the assumptions taken into account in the determination of the provision for decommissioning cost by management's expert, are appropriate and reasonable based on current estimation of remediation works.

## Authority for management representation

I confirm that this letter has been discussed and agreed by the Executive Council on 31 March 2020.

Signed for and on behalf of St Helena Government

Yours sincerely,

*(Signature)*

Dax Richards  
Financial Secretary