



PUBLIC ACCOUNTS COMMITTEE

**REPORT TO LEGISLATIVE COUNCIL ON THE FORMAL
SESSION OF THE PUBLIC ACCOUNTS COMMITTEE
HELD ON 27 APRIL 2022 (FINAL)**

St Helena Public Accounts Committee

Report to Legislative Council on the Formal Session of the Public Accounts Committee held on 27th April 2022

1. Introduction

In accordance with section 69 (6) of the Constitution of St Helena, Ascension and Tristan da Cunha, the Public Accounts Committee (PAC) hereby reports to Legislative Council on the final item of business undertaken at the Formal Session of the Committee, held on 27th April 2022.

Membership of the Committee comprises:

Chairman:	Mr Mark Yon
Vice Chairman:	Mr James Kellett
Members:	Hon Dr Corinda Essex
	Hon Karl Thrower
	Hon Gillian Brooks

The Committee is advised professionally by the Chief Auditor, Mr. Brendon Hunt.

A transcript of these proceedings will be made available on the SHG website <http://www.sainthelena.gov.sh/public-accounts-committee/> and in the Public Library.

2. Order Paper

- I. Chairman's Address (Reported in Sessional Paper No. 20/22)
- II. Continuation of St Helena Government – 2019/20 Financial Statements and Audit Management Letter (IT Section Manager) (Reported in Sessional Paper No. 20/22)
- III. Government of St. Helena – Statement of Expenditure in Excess Financial Year 2020/21, Sessional Paper 4/2022 (Reported in Sessional Paper No. 20/22)
- IV. St Helena Government Currency Fund Annual Financial Statements, 2019/20

1. St Helena Government Currency Fund Annual Financial Statements, 2019/20

On 27th April 2022, PAC examined the St Helena Government (SHG) Currency Fund Financial Statements for the year 2019/20 and the following persons attended to give evidence:

- Commissioner of Currency (Chairperson): Chief Secretary, Mrs Susan O'Bey
- Commissioner of Currency: Financial Secretary, Mr Dax Richards
- Currency Officer: Miss Lucy Cranfield
- Financial Reporting Manager: Mr Jeremiah Tsungo

Apologies were received from Commissioners of Currency Mrs Gillian Francis and Mr Nicholas Yon.

The Currency Fund Financial Statements for the year ended 31st March 2020 was prepared in accordance with International Public Sector Accounting Standards (IPSAS) and audited by the Chief Auditor. The audited accounts were laid at Legislative Council on 26th March 2021 as Sessional Paper 12/21 and were then referred for PAC scrutiny, under Section 69 of the Constitution and Standing Order 23.

The following is a list of the leading or key issues PAC enquired of Commissioners of Currency:

1. Understanding the agreement with the Commemorative Coins dealer and how the Commissioners ensured that royalties from the sale of commemorative coins is complete;
2. The extent to which Commissioners review the performance of investment funds in comparison with benchmarks for an equivalent mixed maturity Gilt fund;
3. The progress that has been made by the Bank of St Helena in implementing an international prepaid card;
4. The extent to which Commissioners have given consideration to the Chief Auditor's recommendation that an Investment Custodian is appointed separately from the Investment Manager;
5. Progress made on PAC recommendations 35, 126 and 199 regarding the assessment of St Helena currency versus the Pound Sterling; and
6. How Commissioners in practice manage their conflicting ex-officio interests with respect to the SHG Treasury and the Currency Fund.

PAC received explanations and assurances for the above-mentioned enquiries from Commissioners of Currency and these have been recorded in the 27th April 2022 transcript which will be made available on SHG's website (<https://www.sainthelena.gov.sh/government/public-accounts-committee/>).

In addition to the verbal evidence given, the Commissioners committed to provide the following:

- A copy of the Investment Strategy; and
- The technical assessment report on whether to implement the pound sterling.

Based on the responses provided by Commissioners, the below main conclusions were drawn, with recommendations proposed following PAC deliberations.

Main Conclusions

- 1. The Committee was encouraged to hear that commemorative coins royalty income has increased from £25,000 in financial year 2018/19 to £69,000 in financial year 2019/20 and is set to increase to £154,000 in financial year 2020/21 and for the first three quarters in financial year 2021/22 it amounted to £278,000.**

The PAC took evidence around the completeness of the commemorative coins royalty income and heard from Commissioners that due to the nature of the business transaction there has to be a level of trust of between the Currency Fund and the seller of commemorative coins, pertaining to the issue of the disclosure of how many commemorative coins had been sold. The Committee also heard the Currency Fund has entered into a further five year agreement with the East India Company to sell precious metal commemorative coins on the Currency Fund's behalf, which is set to begin in June 2022. This agreement grants the East India Company the exclusive rights to sell commemorative coins with the St Helena theme. The Commissioners have taken a strategic decision to rather sell precious metals commemorative coins as opposed to the less expensive coins.

- 2. The Committee heard that Currency Commissioners review the performance of the Currency Fund's investments on a quarterly basis against the previous forward investment guidance issued to them.**
- 3. The St Helena Government has continued to exert its influence on the Bank of Saint Helena to implement an International Prepaid Card.**

The Currency Commissioners advised that although this has still not been implemented it is high on the Bank's agenda, they also emphasised an account, which can be opened with the Bank of Gibraltar as an alternative means to obtain access to International Banking facilities.

4. The Committee heard that cost considerations should be borne in mind when considering whether to appoint an Investment Custodian to hold Investments separately from the Investment Manager.

PAC noted the Commissioners have committed within their strategy to look at the investment management agreement every three years, with this agreement being looked at again in 2022. Commissioners will then benchmark returns received from Crown Agents Investment Management Limited and management fees paid to them. The decision to test the market again will be taken after this review.

5. The Committee heard that the technical assessment on whether to implement pound sterling had been completed in the 2015/16 financial year.

The recommendation from that assessment was that the Currency Fund should not continue with the conversion to Pound Sterling. The Commissioners stated the main reasons for not wanting to implement the Pound Sterling were security considerations and the associated costs, cost of the notes and insurance. Commissioners consider that there will be a move away from cash to digital currency in the near future. PAC heard that prior to the COVID-19 pandemic, Commissioners had been pursuing the possibility of installing an Automatic Teller Machine (ATM) on St Helena.

6. The Commissioners believed there would always be a perceived conflict of interest between this role and their day to day jobs.

Recommendations

In relation to its scrutiny of St Helena Government Currency Fund financial statements for the year ended 31st March 2020, **PAC recommends that:**

1. Commissioners conclude the process to determine if it is feasible to install an Automatic Teller Machine (ATM) on St Helena.
2. The Commissioners progress amendments to the Currency Fund Ordinance to allow for the appointment of independent Commissioners to provide oversight to the affairs of the Currency Fund.
3. Commissioners proactively propose commemorative coin themes to the minter and further align coin themes to St Helena's culture and heritage.

3. Concluding Remarks

The Public Accounts Committee acknowledges the work of the Clerk to the PAC and the Chief Auditor and staff of Audit St Helena in assisting in the production of this Sessional Report to Legislative Council. The Committee also thanks the attending Commissioners of Currency and Officials for providing evidence in response to lines of enquiry.

This Sessional Report on PAC proceedings held on 27th April 2022 is hereby authorised for issue to Legislative Council pursuant to Section 69(8) of the Constitution of St Helena, Ascension and Tristan da Cunha.



Mark Yon
Chairman

22nd August 2022

