



St Helena
Government

ST HELENA PUBLIC ACCOUNTS COMMITTEE
REPORT TO LEGISLATIVE COUNCIL ON THE FORMAL
SESSION OF THE PUBLIC ACCOUNTS COMMITTEE
HELD ON THURSDAY, 14 DECEMBER 2023

Laid upon the Table 16 August 2024

St Helena Public Accounts Committee

Report to Legislative Council on the Formal Session of the Public Accounts Committee held on Thursday, 14th December 2023.

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 Fourth Formal Session of the Committee, held on 14th December 2023 to examine the St Helena Currency Fund Financial Statements for the Financial Year 2020/21.

Membership of the Committee comprise:

Chairman:	Mr. Mark Yon
Vice Chairman:	Mr. Bramwell Bushuru Lumukwana
Members:	Hon Gillian Brooks
	Hon Dr Corinda Essex
	Hon Karl Thrower

The Committee is advised professionally by the Chief Auditor, Mr Brendon Hunt and administrative support is provided by the Clerk, Miss Anita Legg.

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

2. Order Paper – Fourth Formal Session 2023, Thursday 14th December 2023

- I. Chairman's Address
- II. St Helena Currency Fund Financial Statements for the Financial Year 2020/21

I. Chairman's Address

The Chairman opened the meeting and welcomed all in attendance and everyone listening via radio and live streaming.

As is customary, the Chairman explained the Constitutional role of PAC in accordance with Section 69 of the Constitution of St Helena, Ascension and Tristan da Cunha and Standing Order 26. He went on to explain the Committee's primary function which is to objectively scrutinise how the Government spends the public purse and advised further that the PAC is protected to act independently and is not subject to the directions and control of the Governor, the Executive Council, or any other body or authority and, has power to call any person to give evidence orally.

The composition of the Committee together with the key advisory and administrative support roles were then highlighted. The Chief Auditor Mr Brendon Hunt was unable to attend this Formal session therefore the Deputy Chief Auditor Mrs Vimbai Chikwenhere stood in his stead.

The PAC Multilateral Projects Team, at the Commonwealth Parliamentary Association, UK was publicly thanked for extending an invite, as well as facilitating and funding the St Helena PAC's attendance at the Africa Regional Workshop in Zambia. This was attended by Councillor Gillian Brooks, Clerk Anita Legg and the Chairman from 30th October to 2nd November 2023 and was deemed hugely successful.

The Chairman moved on to explain the business under scrutiny.

In concluding the Formal session, he thanked everyone and added that PAC would evaluate the evidence heard and submit a report to Legislative Council on its findings, together with any recommendations, and ended by wishing everyone happy holidays and a prosperous new year.

The evidence taken on the Fourth Formal Session of PAC for 2023 is summarised below.

II. St Helena Currency Fund Financial Statements for the Financial Year 2020/21.

On Thursday, 14th December 2023 PAC examined the St Helena Currency Fund Financial Statements for the Financial Year 2020/21 and the following persons attended to give evidence:

- Chief Secretary – Mrs Susan O’Bey
- Deputy Chief Secretary – Mrs Gillian Francis
- Financial Secretary – Mr Dax Richards

The St Helena Currency Fund Financial Statements for the financial year ended 31st March 2021 were prepared in accordance with International Public Sector Accounting Standards (IPSAS), and were audited by the Chief Auditor. The audited accounts were laid at Legislative Council in May 2022 as Sessional Paper 15/22 and was referred for PAC scrutiny, under Section 69 of the Constitution and Standing Order 26.

The Independent Auditor’s Report included an unqualified audit opinion with an emphasis of matter on the determination of the surplus on the Fund (as reported in the 2020/21 accounts). The 12 month reporting timeframe (including the Chief Auditor’s certificate), per Section 22(1) of the Currency Ordinance 2007, was not met and the Chief Auditor’s report is modified in respect of this matter under the “Report on Other Matters” section of the report.

The following is a list of the key areas PAC enquired of the Commissioners:

- The Statement of Financial Performance, disclosing received income for the Currency Fund from royalties on the sale of Commemorative Coins, which increased to just over £154,000 in 2020/21 from just over £69,000 in 2019/20.
- The further five-year agreement the Currency Fund had entered into with the East India Company, which grants them exclusive rights to sell commemorative coins depicting the St Helena theme.
- The Statement of Financial Position detailing the Investments and Cash Equivalents collectively of £6,688,791 at 31st March 2021, which incurred losses of £100,071 for the 2020/21 financial year, and the Chief Auditor’s observation noted in the context of restrictions in Section 13 of the Currency Fund Ordinance which limit the Fund’s securities investment options.
- Progress on the Commissioners commitment to review the investment management agreement every three years, following the recommendation that consideration be given to the appointment of an Investment Custodian to hold the investments separately from the Investment Manager.
- PAC recommendation 198 on the implementation of an international prepaid card and the move away from cash to digital currency in the near future.
- The Fund’s audited financial statements, which had not been presented to the Governor and Secretary of State within 12 months following the year end as required by Section 22 of the Currency Fund Ordinance. The audited financial statements were transmitted after the 6th May 2022 representing a 5 week delay after the statutory deadline.

- Previous PAC recommendations 126, 199 and 240, which remain open regarding the assessment of the comparison of the St Helena currency versus pound Sterling, to 'assess the merits and demerits to maintaining the St Helena Pound and the Currency Fund.'

PAC received explanations and assurances for the above-mentioned enquiries and a transcript of the proceedings from 14th December 2023 will be made available in the Public Library and on the St Helena Government website at <http://www.sainthelena.gov.sh/public-accounts-committee/>.

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

Main conclusions

PAC was pleased to hear that subsequent to the financial year ended 31st March 2021 revenue generated from royalties on the sale of commemorative coins had increased dramatically. In addition to £154,000 of commemorative coin royalties received in the 2020/21 financial year, this revenue had increased to £387,000 in the 2022/23 financial year. The Committee also heard the commemorative coin market was recently impacted as the new effigy of His Majesty King Charles III needed to be approved after the passing of Her Majesty Queen Elizabeth II. The Financial Secretary also provided further context to the commemorative coin market by confirming that most commemorative coins issued have a mintage limit applied and that Commissioners are provided with recommendations as to what coins would be most marketable by the minter. The Financial Secretary also outlined the process whereby Commissioners are presented with coin designs and themes from the minter and the involvement of the Commissioners in the design process. The Committee was encouraged to hear that the Commissioners' strategy was to sell low volumes of high value precious metal coins.

The Committee heard that the East India Company (EIC) was granted exclusive rights to mint and issue commemorative coins which have the St Helena branding attached to them up until the end of the agreement in 2022. With recent changes to the agreement, the EIC now has a non-exclusive licence and the Fund could potentially issue licences to other minters for non-precious coins.

The Committee took evidence that the arrangement of outsourcing the minting of commemorative coins did present a challenge to the auditors in obtaining audit evidence for the audit of the 2021/22 annual financial statements of the Currency Fund. The Committee concluded that the risks associated with this arrangement were somewhat mitigated by the fact that the minting company was exceeding expectations in terms of royalty income generated for the Currency Fund and the level of assurance obtained from the reputation of the brand of the minting company. The Financial Secretary also ascribed the exceptional performance of coin sales (when benchmarked against the minimum revenue performance levels as set out in the agreement with the East India Company,) to good marketing and building of the brand. Despite these factors the Financial Secretary did confirm that the functioning

of the agreement with the EIC involves a level of trust but the Accounting Technician, being the Currency Fund Officer, had checked the calculations when provided with royalty statements from EIC.

The Committee heard evidence that losses on Investments amounting to £100,071 were in fact unrealised losses. The Financial Secretary further highlighted that the Currency Fund Ordinance only allows the Fund to invest in securities such as UK Gilts and that investing in securities of a less sovereign nature would expose the Currency Fund to risk. Whilst the Financial Secretary did appreciate the point the Chief Auditor made about losses in real terms when investment returns were compared to inflation over a period, Commissioners were concerned about the protection of the nominal value of the Currency Fund. The Financial Secretary also highlighted that other types of securities such as bonds or floating rate notes, are not as liquid as UK Gilts, which poses a risk to the Currency Fund in scenarios where there may be a need to obtain cash on short notice. On this note the Financial Secretary reiterated that the purpose of the fund is to stabilise the St Helena Pound but confirmed that their Investment Strategy will be reviewed in 2024 with these aspects in mind. The Committee concluded that the comments of the Financial Secretary did not fully reflect the intention of the Ordinance as included in Section 12 of the Ordinance, which requires that the Currency Fund buy or sell the Pound Sterling at parity.

The Financial Secretary confirmed that the previous recommendation of the Chief Auditor to appoint an Investment Custodian had been closed in the audit of the Fund's 2021/22 annual financial statements. The Financial Secretary elaborated that during the audit of these accounts it had been established there was a separation of duties between the Investment Manager, Crown Agents Investment Management Limited and the Custodian of the investments being Bank of New York Mellon.

PAC concluded there had not been significant progress in progressing the Committee's prior recommendation that SHG influence the Bank of St Helena to implement an international prepaid card. The Financial Secretary clarified that although there had not been much progress in implementing this recommendation, BOSH had implemented a virtual tourist card and SHG had forged a relationship with the Bank of Gibraltar, which allows residents of St Helena to open an account with them. The Financial Secretary listed changes in legislation, such as anti-money laundering provisions and cost factors, as posing challenges to the Bank of St Helena offering a prepaid card. Discussions are ongoing with the Bank of Gibraltar around co-branding being a solution going forward. The Chief Secretary further elaborated that high costs and the low banking volume pose further challenges that need to be overcome in providing an international banking solution for the Island's residents. The Committee was also pleased to hear from the Financial Secretary that there was a natural migration away from the use of cash towards digital services such as Ryft Pay which had been approved as a payment system on Island by the Financial Services Regulatory Authority.

PAC noted SHG's intention to develop the financial services industry on the Island. The Chief Secretary provided further context to the discussion of the implementation of the international prepaid card by stating there were a number of

work streams pursuing the development of the financial services industry on Island. These efforts included the implementation of the Financial Action Task Force recommendations and the creation of a beneficial ownership register.

PAC was pleased to hear SHG was committed to reviewing their IT systems and structures in the upcoming year. The Financial Secretary provided further detail to state that SHG has several unrelated systems within government which does not provide an effective IT environment. He referred to a project being rolled out in the next year to provide for a more concerted approach. He stated that as a natural outcome of this combined approach, services will migrate to digital provision. The Chief Secretary provided further context to this aspiration in stating that this would result in the development of an IT Strategy with the end result of utilising Cloud technology.

PAC noted the resource challenges that were highlighted by the Financial Secretary as being a key issue that prevented the completion of the audit within 12 months of year end as required by the Currency Fund Ordinance. The Committee was however encouraged to hear that a Head of Financial Reporting Manager post was close to being filled in the new calendar year. In this context the Chief Secretary also highlighted her concerns around labour market shortages they were experiencing across the public sector, the ongoing work of the immigration review and competition between territories for scarce resources.

In relation to the PAC recommendation to consider implementing the British Pound the Financial Secretary commented that the work of the Chief Economist had indicated that the issue was not with the Saint Helena currency but rather the available banking services on the Island. The Financial Secretary confirmed that the report from this work was not yet in a format to place in the public domain but would revisit the issue in the 2024 calendar year. The Financial Secretary committed to sharing the final document publicly after these amendments had been made. He also highlighted the challenges in implementing a change to the British Pound. The Financial Secretary undertook to provide the technical assessment report to the Chief Auditor and PAC who would assess whether the Committee's previous recommendations, relating to the implementation of the British Pound, can be closed.

Recommendations

In relation to its scrutiny of the St Helena Currency Fund Financial Statements for the Financial Year 2020/21, **PAC recommends that:**

1. SHG complete their review of the IT environment, in the 2024 calendar year, and draft the IT Strategy in order to utilise Cloud Technology and harmonise various systems in use.
2. Commissioners complete their review and update of the Fund's Investment Strategy in the 2024 calendar year.
3. In their 2024 review of the Investment Strategy, the Commissioners should assess the counterparty risk associated with the Custodian of the Fund's

Investments and if necessary, design and implement appropriate counterparty risk mitigation strategies to protect the value of the Fund's Investments.

4. SHG through their influence with the Bank of St Helena, conclude the preparatory discussions with the Bank of Gibraltar in the 2024 calendar year, to determine if this avenue can be utilised to provide access to international banking services on St Helena Island.
5. Before the renewal of the East India Company contract, Commissioners include controls in the new contract to ensure that income received from minting companies, subcontracted to assist the company in the minting and sale of commemorative coins, is complete.

3. Concluding Remarks

The Public Accounts Committee acknowledges the work of the Chief Auditor and staff at Audit St Helena in assisting with 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 inquiry.

The Sessional Report on PAC proceedings held on Thursday, 14th December 2023 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
St Helena Public Accounts Committee

31 July 2024

