



St Helena
Government

AUDIT SAINT HELENA

MANAGEMENT LETTER TO THE LEGISLATIVE COUNCIL OF ST HELENA

SHG FINANCIAL STATEMENTS 2022-2023

Laid on the Table 5th Dec 2024.



AUDIT ST HELENA
External Auditors

MANAGEMENT LETTER

SHG FINANCIAL STATEMENTS 2022-23

To the Legislative Council of St Helena Government

03/09/2024

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INTRODUCTION

As the external auditor of Saint Helena Government (SHG), I am required by section 29(1) of the Public Finance Ordinance (the Ordinance) to report to Legislative Council (LegCo) my findings from the audit of the Financial Statements of SHG.

The purpose of this report is to summarise for LegCo the key issues arising from my audit of the Financial Statements for the year ended 31 March 2023 and report any significant accounting matters or weaknesses in internal controls that have come to my attention during the audit.

An advance version of this Management Letter was reported to the Financial Secretary and the Executive Committee (Exco) to discharge my responsibilities under ISA 260, *Communication with Those Charged with Governance*, prior to final submission to LegCo in accordance with section 29(1)(c) of the Ordinance.

AUDIT OBJECTIVES

The main objective of the audit is to form an opinion as to whether the Financial Statements present fairly the financial position of St Helena Government at 31 March 2023 and of its financial performance and cash flows for the year then ended, confirm that expenditure and income has been applied to the purposes intended and the Financial Statements are prepared in accordance with all relevant laws and policies.

As part of my audit I carry out the following work:

- Examine, on a test basis, evidence relevant to the amounts and disclosures in the Financial Statements.
- Assess any significant estimates and judgements made by SHG in the preparation of the Financial Statements.
- Assess whether the accounting policies are appropriate to SHG's circumstances, consistently applied and adequately disclosed.
- Evaluate the overall adequacy of the presentation of information in the Financial Statements to ensure compliance with International Public Sector Accounting Standards (IPSAS).
- Report my opinion under section 29(1)(b) that:
 - (A) The accounts properly present the financial position of the Government, as at the end of the financial year then ended; and
 - (B) In all material respects the expenditure and income have been applied to the purposes intended and conform to the authorities which govern them; and
 - (C) The accounts and financial statements have been prepared in accordance with all relevant laws and policies.
- Report such other information as I consider necessary or appropriate to assist you in your consideration of the Government's accounts for that financial year.
- Submit to LegCo an annual Management Letter on the audit.

My audit methodology is based on the UK Overseas Territories Financial Audit Manual, which has been developed by the National Audit Office (NAO) to be compliant with International Auditing Standards (ISAs).

Although I am required under ISAs to consider the risk of material misstatement arising from fraud, the purpose of my audit is not for the detection of fraud. Responsibility for the prevention and detection of fraud rests with SHG who should not rely on the external audit function to discharge these responsibilities.

AUDITOR INDEPENDENCE

In performing my audit I confirm I have complied with relevant ethical requirements specifically the *International Code of Ethics for Professional Accountants* (IESBA Code) issued by the International Ethics Standards Board for Accountants.

The following circumstances may present a perceived threat to the independence of Audit St Helena:

- The audit of the SHG financial statements accounts for more than 25% of the annual fee income for Audit St Helena.
- I am appointed by HE the Governor, with the approval of the Secretary of State, and my staff are appointed on the same terms and conditions of service as other public servants of SHG.

The threats to independence in respect of the Financial Statements audit are reduced to an acceptable level through statutory protections enshrined in the Saint Helena Constitution, in which the Chief Auditor and his staff are not subject to the direction or control of the Governor, ExCo or any other person or authority.

All my staff have completed declarations of interest, and where there is an identified conflict, appropriate safeguards have been applied. Through these ethical policies and specific threat mitigation measures I am satisfied as to the independence and objectivity with which the audit is conducted.

INDEPENDENT AUDITOR'S REPORT

At the conclusion of the audit I will issue my Independent Auditor's Report (my Report) on the Financial Statements – the auditor's report is the key output of the audit process. The form of my Report is prescribed by ISA 700 (Revised) – *Forming an Opinion and Reporting on Financial Statements*.

My Independent Auditor's Report therefore includes:

- Opinions followed by the basis for those opinions
- A section on other information presented with the Financial Statements
- An affirmative statement on independence and ethical compliance
- An enhanced description of auditor responsibilities

The structure of my Report clearly separates my reporting on the audit of the Financial Statements performed under the ISAs from my reporting on any other audit matters arising from my responsibilities under statute – specifically the Public Finance Ordinance.

QUALIFIED OPINION

As explained in the above section on audit objectives my Report contains three opinions as required by section 29 of the Ordinance:

- Opinion on fair presentation of the accounts
- Opinion on regularity of expenditure and revenue
- Opinion on whether the financial statements have been prepared in accordance with all relevant laws and policies

For the financial year ended 31 March 2023 my Report contains a qualified opinion on the fair presentation of the annual Financial Statements.

In addition, and without qualifying my Report, I raise two emphasis of matters relating to the significant estimation uncertainty associated with the new Bulk Fuel Installation and the construction of the on-island Fibre Optic Network. Without qualifying my opinion my Report also draws attention to the material uncertainty on the going concern basis of preparation of the annual financial statements.

My Report contains unqualified opinions on the regularity of expenditure and income together with compliance with statutory authorities governing the preparation of the financial statements.

The form of my Independent Auditor's Report containing these opinions and other reporting matters is included in Appendix A. A signed copy of my Report dated 22 August 2024 is published with the SHG Financial Statements for the 2022/23 financial year.

IDENTIFIED MISSTATEMENTS

During my audit, I identified several misstatements. I requested the Financial Secretary to correct these misstatements and they were actioned where it was readily possible. In recognition of your governance responsibilities I have scheduled those material misstatements which have now been corrected in Appendix B.

The remaining unadjusted misstatements were considered to be tolerable with no impact on the audit report, these are detailed in Appendix C.

SIGNIFICANT FINDINGS FROM THE AUDIT

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICE

FINANCIAL REPORTING FRAMEWORK

Section 10(1) of the Ordinance requires that the annual Financial Statements of Government are prepared in accordance with IPSAS. The matters reported in this Management Letter relate to the 2022/23 Financial Statements draft version 1 submitted for audit on 22 February 2024 together with supporting schedules for audit.

Note 11.1 sets out the basis of preparation of the Financial Statements and explains that these separate Financial Statements comply with IPSAS. The preparation of separate Financial Statements of Government in accordance with IPSAS 34, *Separate Financial Statements*, and the disapplication of IPSAS 35 is lawful under section 10(2) of the Public Finance Ordinance.

ASSETS UNDER CONSTRUCTION – BULK FUEL INSTALLATION

Note 10.8.8 explains that SHG terminated the external contract to build the BFI and assumed responsibility for the project in October 2019. An independent review completed before 31 March 2020 recommended that not all components of the fuel system should be commissioned. Various proposals were put forward in this review which may result in certain components of the system being rendered obsolete. A second review has been performed but the effect of this report on the final configuration of the BFI is still to be determined at the date of reporting. Note 11.9.2.2 discloses the progress made towards the decision as to what components will be commissioned in the final installation.

In these circumstances management are aware that the initial recognition of capital costs relating to the BFI on a construction cost basis carries significant estimation uncertainty. The extent of the uncertainty cannot currently be quantified but will depend upon the final configuration of the fuel system, including potential for write-down of any redundant components, and any measurement changes when the completed aid-funded infrastructure is fair valued on an optimized depreciated replacement cost basis.

Given significant estimation uncertainty associated with the BFI construction costs and related fuel system assets carried at £75.6m within assets under construction in Note 10.8.12, an emphasis of matter is raised within my Report without qualification.

ACTUARIAL ASSUMPTIONS

The Government has a Defined Benefit Pension Scheme (DBPS) which is explained in Note 10.14.2. The DBPS was closed to new members on 31 March 2010 with eligible employees joining after 1 April 2010 instead receiving employer contributions into an external Defined Contribution Pension Scheme (DCPS). The comprehensive actuarial review and valuation of the DBPS was last performed at 31 March 2020 and rolled forward for the 2020/21, 2021/22 and 2022/23 financial years. The next comprehensive actuarial review and valuation will be performed for the financial year ended 31 March 2024. A knowledge of the prior experience gains or losses associated with the comprehensive actuarial review and calculation (2019/20: £6.090m, 2015/16: £3.145m) highlights that the DBPS liability at 31 March 2023, being at a point one year before the next comprehensive review, is subject to a high degree of estimation uncertainty.

Note 10.14.2.2 sets out the significant assumptions used in the determination of the DBPS valuation. The assessment of the pension liability and in-year expense prepared by the Government Actuary are based upon a number of key assumptions. I wish to draw members' attention to these actuarial assumptions which have a highly material impact on the preparation of the Financial Statements.

Section 17 of the Pensions Ordinance is a discretionary provision and therefore conveys no absolute legal right to pensions increases. A view could therefore be taken that no legal obligation has arisen and that instead the pension liability should be valued without taking into account any potential pension increases in the future. However, IPSAS 25 *Employee Benefits* explains that a legal obligation to pay a pension benefit is not the only grounds for recognition of a liability.

The assumptions used by the actuary for future pension increases are represented as being based upon past behaviour (in terms of the historic award of pensions increases) and giving rise to a constructive obligation notwithstanding the discretionary nature of the provision.

The forward rate of pay inflation assumed by the actuary is 3.5% per annum which is consistent with the rate of increase used in the last three years and indeed the last full review conducted.

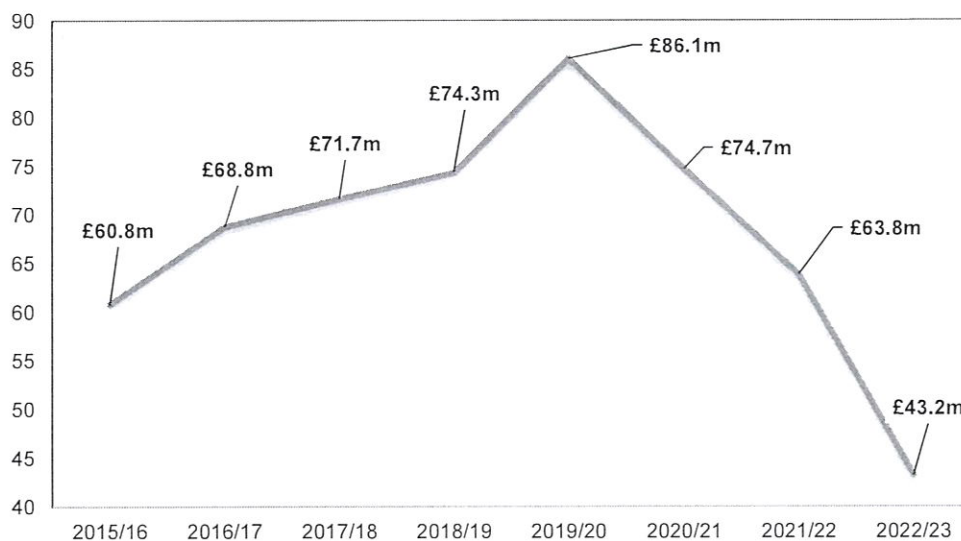
The pension liability has decreased by a further £20.599 million from the year ended 31 March 2022. Note 10.14.2.1 *Movements in the Actuarial Pension Liability* details that £19.792 million of the decrease in the liability can be attributed to changes in financial assumptions and a further decrease of £1.170m arises from changes in demographic assumptions.

Note 10.14.2.2.1 *Financial Assumptions* details that the financial assumption unto which the majority of the decrease can be attributed is the change in the rate of return (discount rate) which has increased from 1.8% in 2021/22 to 3.9% in 2022/23. The discount rate has been referenced to the yields on UK Gilts at 31 March 2023.

Note 10.14.2.2.2 *Demographic Assumptions* discloses that the future mortality assumptions used in the valuation at 31 March 2023 had been updated to take into account the January 2022 update by the Office for National Statistics (ONS) which incorporated an allowance for the effects of COVID-19 on the future assumed improvements to mortality assumptions.

FIGURE 1 DBPS LIABILITY 2016 TO 2023

Movement in Actuarial Pension Liability over 8 Years



GOING CONCERN

In considering whether the going concern basis of preparation remains appropriate management are required to look at the financial sustainability of an entity for a minimum future 12-month period from the date of approval of the financial statements. The recurrent financial aid settlement for the financial year 2024/25 was received from the Foreign, Commonwealth and Development Office (FCDO) in March 2024 which governs the period from April 2024 to March 2025. This settlement indicates recurrent foreign aid to be received in the 2024/2 financial year at £34.060 million in total.

The economic conditions on St Helena are such that SHG is unable to function without continued foreign aid funding from the United Kingdom. The 12 month forecast to August 2025, provided by SHG to support the use of the going concern assumption in the preparation of the annual financial statements, included financial aid support for the period April 2025 to August 2025 amounting to £12.131m.

No agreement is in place to support the assumption that this aid will be received to the amount that is included in the forward looking 12-month forecast. This presents a departure from previous practice in that forecasts prepared by SHG, in prior years, to support the going concern assumption, assumed that the funds available in the General Reserve would be utilised to fund the operations of SHG until the financial aid settlement for the following year could be agreed and the budget appropriated for that year in Legislative Council.

There therefore exists a material uncertainty as to whether SHG can provide services without a significant curtailment of services for a forward looking 12-month period from the date of approval of the annual financial statements. This material uncertainty is further disclosed in note 11.2 to the financial statements.

DIFFICULTIES ENCOUNTERED DURING THE AUDIT

TIMELINESS IN REPORTING

The FCDO amended the foreign aid Memorandum of Understanding to allow for reporting of audited accounts within 12 months after financial year end. Previously this requirement was set at 9 months after year end. In practice this means that the audits of State Controlled Entities, as disclosed in note 12.0 Controlled Entities to the annual financial statements, needs to be completed, or near completion, at the date at which the accounts are approved and the audit opinion issued for the SHG accounts.

The audits of several State Controlled Entities extended past the FCDO submission timeline. In addition the draft 2022/23 financial statements, together with its supporting schedules was received on 22 February 2024 which, in the context of the audit reporting period allowed under Section 109 of the Constitution, meant that the audited accounts of SHG could not be produced by 31 March 2024.

The valuation of the defined benefit pension obligation was included in the third draft version of the financial statements submitted to audit on the 25th of May 2024 being just over three months after the submission of the first draft version to audit. Given the estimation uncertainty and complexity inherent in the calculation of this obligation it had been communicated to Executive Council that the valuation and disclosure of the pension liability was a significant audit risk which would require detailed specific procedures to assess whether the pension liability had been fairly presented in the annual financial statements.

In the context of the Section 109(2) constitutional requirement for the Chief Auditor to submit his audit report within 6 months of receiving the accounts submitted for audit, the delay in the submission of the valuation and recognition of the pension liability presented a quality risk to the audit process.

The attainment of the FCDO targeted reporting date will require a holistic and co-ordinated response by SHG in tandem with State Controlled Entities. Reference is made to the open recommendation from 2019/20 (included in Appendix E) which addresses this requirement.

VARIANCES BETWEEN FINANCIAL STATEMENT SCHEDULES

The first draft of the 2022/23 financial statements included Microsoft Word and Excel versions in addition to the supporting schedules. Some variances were identified between the 2 formats of the financial statements. While the variances were subsequently resolved, time was spent in attempting to resolve these which would otherwise have been avoided if SHG was using a financial reporting system for the drafting of financial statements.

An open recommendation from 2016/17 financial year speaks to the need for SHG to improve the efficiency and accuracy in statutory accounts production process through automation and quality assurance protocols.

MATTERS OF REGULARITY AND STATUTORY COMPLIANCE

These other matters of significance arise from my audit responsibilities under law and regulation which are relevant to those charged with governance in overseeing the financial reporting process.

RECURRENT AND CAPITAL EXPENDITURE IN EXCESS

Section 106(1) of the Constitution of St Helena, Ascension and Tristan du Cunha requires that where any expenditure head has expended moneys in excess of that appropriated for it that expenditure shall be included in a statement of expenditure in excess which shall be laid before the Legislative Council and referred to the Public Accounts Committee.

Note 8.0 and the supporting Note 9.3, comparison of budget and actual amounts, reports expenditure in excess of appropriated amounts on two recurrent Heads and one capital Head as follows:

- Safety, Security and Home Affairs: recurrent expenditure £ 10,000
- Health: recurrent expenditure £ 200,000
- Environment, Natural Resources & Planning : capital expenditure £ 14,000

Sessional Paper 07/24 was laid before Legislative Council on 25 March 2024 in respect of excess expenditure incurred on these three heads which, after due scrutiny by PAC and reporting in Sessional Paper 25/2024, was allowed to stand charged to public funds by resolution under section 106(3).

With the reported excess amounts duly approved under section 106 my opinion on regularity of expenditure issued under section 29(1)(b)(i)(B) of the Public Finance Ordinance is unqualified.

STATUTORY COMPLIANCE

My opinion on statutory compliance issued under section 29(1)(b)(i)(C) of the Public Finance Ordinance is unqualified and I have no matters to report in this respect.

SIGNIFICANT MATTERS WHICH REMAIN UNRESOLVED

SUPPLY AND INSTALLATION OF THE EQUIANO CABLE SYSTEM

Accumulated project expenditure on the project to land a submarine internet cable branching off the Equiano Cable to St Helena Island and related construction works on the cable landing station at Rupert's Valley (the "internet cable project") at 31 March 2023 amounted to £15.599m. This expenditure, funded by the European Development Fund (EDF), is reported in assets under construction in Note 10.8, Property, Plant and Equipment. Note 10.8.9 includes disclosures on the asset under construction being valued at cost as it is deemed to be acquired through an exchange transaction on the basis that SHG made payment to the contractor. I am however of the view that since the asset incorporates an element controlled by another party and this in turn represents a non-exchange transaction, the appropriate initial measurement of this component should be recognised *at fair value* in accordance with *IPSAS 17, Property, Plant and Equipment* and *IPSAS 23.10, Revenue from Non-Exchange Transactions*.

Note 10.8.9 *St Helena Fibre Optic Cable Project* explains that the costs of the Google Designated Fibre Pairs cannot be separately identified. Whilst the limitation described in the note refers to the cost basis of measurement there remains a significant uncertainty on the valuation of the non-exchange component included in expenditure on the submarine cable and cable landing station accumulated to 31 March 2023. In the absence of an appropriate valuation I am unable to determine whether the stated value fairly reflects the fair value for the internet cable and associated works project.

PHARMACY STOCK COUNT

The arrangements for the year end stock count of pharmacy stock amounting to £0.842m, as disclosed in note 10.5, were inadequate. The final stock sheets provided the total quantities of pharmacy stock on hand but with multiple locations (Bradley's and the Jamestown Pharmacy) being physically used and the stock not being arranged in a manner that enabled an efficient count, it was not possible to select samples from the stores themselves and trace these counts to the final stock valuation sheets. As a result we were unable to obtain sufficient appropriate evidence that pharmacy stock, as recorded and disclosed in the annual financial statements, is complete.

SIGNIFICANT MATTERS RESOLVED WITH MANAGEMENT

Each of the issues highlighted below were identified during the audit, satisfactorily resolved with management and appropriate adjustments made to the final Financial Statements. The material adjustments arising are disclosed in Appendix B.

RECOGNITION OF GRANT INCOME

Income recorded in respect of grant income for the EDIP programme is included under Other Development Aid in Non-Exchange Revenue as disclosed in note 9.1. A comparison of the income recorded in the 4th quarter of the 2022/23 financial year to the claim returned to the FCDO, being the funding source for the EDIP programme, indicated that this grant income had been overstated by £406,953 in the accounting records of SHG.

Management agreed to pass an audit adjustment to reduce both the non-exchange revenue in and claim receivable due from the FCDO by £406,953. This was correctly adjusted in the version 4 financial statements.

ENTERPRISE SAINT HELENA (ESH)

The results of entities which are either wholly owned or where SHG has a controlling interest are equity accounted and disclosed in Non-current Investments as per note 10.2.2 and as per *Note 12.0 Controlled Entities* to the financial statements.

Enterprise Saint Helena (ESH) transferred the majority of its functions to SHG on 31 March 2021 and is now in the process of being wound up. The results of its operations for the financial years ended 31 March 2021, 31 March 2022 and 31 March 2023 were recorded in Non-Current Investments after the submission of the first draft version for audit.

COMPLETENESS OF OVERSEAS MEDICAL REFERRALS ACCRUALS

Overseas medical referrals accruals balance of £672,921 is included in Other Accruals in Note 10.12 Payables from Exchange Transactions. The balance is largely represented by amounts owed to various medical service providers in South Africa for medical procedures performed on patients referred by the St Helena Government Hospital.

The administration of medical patients in South Africa, including the follow up and transmission of medical invoices of patients to SHG and the subsequent payment of the invoices was entirely handled by the Medical Services Organisation (MSO). While the overseas medical referral accruals were subsequently validated to invoices and payments, the time taken to clear the matter revealed some control deficiencies related to the non-reconciliation of supplier accounts.

Recommendation 1: SHG amend their financial reporting procedures to ensure that the trade payables on services providers, which carry a material balance at the financial reporting date, are reconciled to external sources at the financial reporting date such as suppliers' statements. Separately, the accruals for services rendered but not yet invoiced by suppliers at the financial reporting date will continue in accordance with the current accounting policy for such costs.

DEFINED BENEFIT PENSION FUND VALUATION

The detailed workings of the defined benefit pension liability of £42.330m was not provided to audit. The provision of this schedule was expected to provide details on the present value of the future pension liabilities associated with individual members of the retirement scheme. Without this level of detail I was initially unable to gain assurance that the overall valuation of the defined benefit pension liability was complete and accurate via re-performance audit procedures.

Future enquiries with the UK Government Actuary's Department assisted in providing insight into the actuary's roll forward methodology. Thereafter, I was able to assess the reasonableness of these workings via recalculation procedures.

DISCLOSURE OF CONTINGENT LIABILITIES

Contingent Liabilities are disclosed in Note 11.7 and currently represent cases brought against SHG where there is a possibility that there will be a future obligation which SHG will be expected to settle. The disclosure included in the first draft submitted for audit was understated by 14 ongoing cases where SHG was named as the defendant, or would be expected to settle a future liability in respect of these cases.

Management agreed and has subsequently disclosed the 14 cases in Note 11.7.

LITIGATION PROVISIONS

SHG raises a provision for litigation claims when there is a present obligation arising from past events where it is probable that SHG will be required to settle the obligation and a reliable estimate of this obligation can be made.

Note 10.13, *Provisions* discloses that SHG had provided for expenditure of this nature. The in-year reduction in the provision £407,000 could not be supported by documentation such as evidence that the claimant was now deceased or court judgements in favour of SHG. Some additional provisions amounting to £0.855m and £0.500m for legal fees arising from adjusting subsequent events had also not been updated to align with the litigation register.

Management agreed to pass an audit adjustment to increase the amount of provisions by £0.407m relating to previously released provisions, also by £0.885m to align with the litigation

register, and by £0.500m for the additional legal fees. These have been correctly adjusted in the revised financial statements.

LEASEHOLD IMPROVEMENTS TRANSFERRED FROM ENTERPRISE SAINT HELENA (ESH)

ESH ceased to be a going concern on the 31st of March 2021. Following the preparation and audit of the 2020/21 financial statements of ESH it was determined that ESH had affected leasehold improvements of £820,430 on properties which were held by SHG as the lessor in the lease arrangement.

As these properties were still in use management agreed to pass an adjustment to take on these leasehold improvements at their carrying value at 31 March 2021. This has been adjusted in the revised set financial statements.

The prior period disclosures for the nature and effects of this adjustment on the comparative figures in the financial statements, is disclosed in note 11.8.

Management agreed to adjust the financial statements to take on ESH leasehold improvements of £820,430.

EXPENDITURE ON THE DESIGN, BUILD AND TRANSFER (DBT) CONTRACT

SHG paid the supplier appointed to implement the DBT contract £678,733 in March 2023. This payment is capitalized and included under Assets Under Construction (AUC) as disclosed in note 10.8.12.

The termination of this contract with the supplier on 7 March 2024 provided evidence that SHG might not receive the full economic benefit of the amount paid to March 2023 as a result of the decision to halt the construction of the asset before it is complete or in a usable condition. As no specific future date has been given for the completion of the project, I am unable to determine whether the halt should trigger an impairment test. The material uncertainty regarding the future plans of the project has been subsequently disclosed in the financial statements and is included in Appendix B in the table of corrected disclosure amendments. My audit report draws users' attention to these disclosures under the Emphasis of Matter paragraph in my audit report.

IMPAIRMENT OF BARNVIEW BUILDING

A review of internal records indicated that the Barnview Building has been idle since 2015. Despite the noted correspondence to restore the building subsequent to the end of the reporting period, there is therefore evidence of an impairment indicator at 31 March 2023. The building has a carrying value of £324,462 at 31 March 2023.

Following enquiries from audit, management provided estimates to determine costs to reconstruct the building and management have determined that no impairment is required when these costs are compared to the carrying amount. From review of the evidence provided, we consider the assessment to be reasonable.

RECLASSIFICATIONS

There have been various other material adjustments processed by management with audit agreement to correctly classify items of account in the Financial Statements as disclosed in Appendix B Table 2. Adjustments to material note disclosures to ensure IPSAS compliance and improve presentation and disclosure are recorded in Appendix B Table 3.

WRITTEN REPRESENTATIONS

Written representations were requested and received from the Financial Secretary in line with those required by the International Standards on Auditing.

FINANCIAL MANAGEMENT AND INTERNAL CONTROL

In accordance with International Standards on Auditing I have included a summary of matters of financial management and internal control which arose during my audit and which I consider should be brought to the attention of Government.

The matters described in this section came to my attention during the normal course of my audit, the purpose of which was to express an opinion on the Financial Statements. The audit included consideration of internal control relevant to the preparation of the Financial Statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

Overall responsibility for maintaining adequate financial reporting systems and systems of internal control, as well as for the prevention and detection of fraud, irregularities, and other errors, rests with the Financial Secretary and the Accounting Officers.

NEW ISSUES RAISED THIS YEAR

The new matters reported in this Letter are limited to those deficiencies that I consider to be of sufficient importance to merit being reported to Council. Less significant matters will be reported to the Financial Secretary in a separate Financial Accounts Memorandum. I have summarised in Appendix D the audit recommendations made in this Letter.

DECOMMISSIONING COSTS

Originally the existing BFI was expected to be decommissioned in March 2018 with costs associated with the decommissioning project anticipated to amount to £2.900m at that date. With the subsequent delays in commissioning the new BFI, and thus delaying the decommissioning of the existing BFI, the decommissioning provision has been increased by historical and projected future inflation trends to arrive at the total future decommissioning cost of £4.058m at 31 December 2025. This in turn has been discounted back to the BFI decommissioning provision at 31 March 2023 of £3.653m as disclosed in note 10.13,

Provisions. Additional decommissioning costs associated with the passage of time, following the delay in decommissioning the existing BFI, are therefore expected to amount to £1.158m at 31 December 2025.

The costs to decommission the existing BFI, as recorded to 31 March 2023 as described above, have been recorded against the Bulk Fuel Installation Trading Account. The balance on this trading account is disclosed in note 10.15.2.2 and is shown as an overdrawn balance of £1.371m at 31 March 2023. With the trading account recording a significant deficit at 31 March 2023 it is likely that an external funding source will need to be identified against which these decommissioning costs can be settled.

Recommendation 2: SHG document the funding mechanism whereby the future BFI decommissioning costs will be met. This documentation should also detail the funding source should the mechanism indicate that these costs cannot be met within existing, or anticipated future, resources on St. Helena.

OUTSTANDING GRANT CLAIMS

The MOU between FCDO and SHG indicates the submission of an appropriate claim from the Government as the condition for the disbursement of funds. All claims are required to be accompanied by relevant supporting documents and should include the necessary information to allow FCDO to make payments whilst any outstanding claims are required to be submitted within 6 months of the project end date.

In my 2020/21 and 2021/22 Management Letters, I reported that claims for expenditure amounting to £0.506m, spanning from financial years 2016/17 to 2017/18, had not been submitted to project funders. SHG has provided for the recovery of these claims as being doubtful as disclosed in Note 10.3, Receivable from Non-exchange Transactions.

Given the significant delay in submitting this claim since the expenditure was first incurred over 6 years ago there is now strong evidence that these funds may not be recoverable. Whilst management have attributed the delay in submitting the claims to insufficient resources required to compile the required information, the risk of failing to recover these funds is high.

The recommendation raised in 2021/22 in respect of these claims remains open.

FOLLOW-UP OF PREVIOUS ISSUES

Audit recommendations remaining open from previous Management Letters issued in 2011/12 through 2021/22 were followed-up with management. The current status of these open recommendations is summarised in the table below with details in Appendix E.

Management Letter	Recommendations brought forward	Recommendations cleared in year	Recommendations carried forward
2011/12	1	0	1
2012/13	1	0	1
2016/17	2	0	2
2018/19	4	1	3
2019/20	2	0	2
2020/21	1	0	1
2021/22	9	5	4
Total	20	6	14

Whilst the clearance of audit recommendations on a timely basis remains an issue for management to address there has been some limited progress with two recommendations closed in the current period.

CONCLUDING REMARKS

I acknowledge and thank the officers of the St Helena Government, and in particular the Treasury team, for their assistance and co-operation given to the Audit St Helena during the course of the statutory audit for 2022/23. In this context I wish to acknowledge a marked improvement in the response to general requests for information over that of prior years that has assisted the Chief Auditor in meeting the statutory reporting requirements as set out in Section 109(2) of the Constitution.



Brendon Hunt CA(SA)
Chief Auditor for St Helena
Audit St Helena
03 September 2024

TO THE MEMBERS OF LEGISLATIVE COUNCIL

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 2023, and the statement of financial performance, statement of changes in net assets and reserves, statement of cash flows, 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 possible effects of the matters described below, the accompanying financial statements present fairly, in all material respects, the financial position of SHG as at 31 March 2023, 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. Internet cable and associated works infrastructure

Infrastructure expenditure on the internet cable and associated works project amounted to £15.599m at 31 March 2023 (2021/22: £13.543m) which is reported within Property, Plant and Equipment in the Statement of Financial Position and also forms part of assets under construction in Note 10.8. Expenditure on this project is measured at the cost of works completed on the internet cable infrastructure and associated works under the current contract.

IPSAS 17, Property Plant and Equipment and IPSAS 23, Revenue from non-exchange transactions requires that consideration given which does not approximate the fair value of resources received is considered to contain a non-exchange element which should be measured at fair value. In this regards Note 10.8.9 details that there is a high degree of estimation uncertainty associated with capital expenditure outlaid on this project.

I was unable to obtain sufficient appropriate audit evidence regarding the valuation of the asset by the reporting date, even by alternative means. In these circumstances I am unable to determine whether any adjustments are necessary in respect of the accounting for the internet cable and associated works infrastructure.

2. Pharmacy Inventory

Pharmacy Inventory amounting to £0.842m is recognised in the statement of financial position. The accounting system recording the receipting and issuing of pharmacy inventory records all pharmacy inventory as being receipted and issued from one location whereas multiple physical locations exist wherein pharmacy inventory is stored. In these circumstances, I was

unable to trace inventory selected from physical inventory on hand to final inventory count sheets. I have thus been unable to determine, even by alternative means, whether pharmacy inventory is complete at 31 March 2023.

Material Uncertainty Related to Going Concern

I draw attention to Note 11.2 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 the Government of the United Kingdom, through the FCDO has a responsibility to meet the reasonable assistance needs of St Helena the level of financial support for the final year to 31 March 2026 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 11.2 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.

Emphasis of Matters

1. Material Uncertainty Related to the Bulk Fuel Installation

I draw attention to Note 10.8.8 in the financial statements which highlights the significant estimation uncertainty associated with the new Bulk Fuel Installation which is carried at a cost of £75.5m within assets under construction in Note 10.8.12. The note explains there is uncertainty as to the final configuration of this major installation with associated potential for material write-down in asset value before completion of works and commissioning of the facility. My opinion is not modified in respect of this matter.

2. Material Uncertainty Related to the Fibre Network

I draw attention to Note 10.8.9.2 in the financial statements which highlights the significant estimation uncertainty associated with the new Fibre Network which is carried at a cost of £0.679m and included within assets under construction in Note 10.8.12. The note details that works on the project was halted during the 2023/24 financial year which has resulted in uncertainty as to the future use of designs and equipment on this project. Accordingly, management has not been able to determine whether these construction costs should be impaired, in accordance with IPSAS 21, at 31 March 2023. 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 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.

As explained in note 10.14.2 the present value of the Defined Benefit Pension Fund liability was calculated by the UK Government Actuary's Department. Note 10.14 discloses that the results of any actuarial valuation are inherently uncertain because of the assumptions that are made whilst performing the valuation. The uncertainty inherent in these varied assumptions together with the magnitude of the liability at 31 March 2023 resulted in this matter being one of most significance during the audit.

I applied specific audit procedures to address the identified significant risk which included reviewing the assumptions used in the valuation, ensuring the completeness of data provided to the actuary and assessing the reasonableness of the roll forward methodology used by the actuary via recalculation procedures.

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 in the Annex to my Report. 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.

Brendon Hunt
Chief Auditor CA(SA)

Audit St Helena
New Porteous House, Jamestown, St Helena, STHL 1ZZ

22 August 2024

ANNEX 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.

Table 1: Material adjustments to the Financial Statements: Requested by audit

I identified the following misstatements during my audit and management have adjusted the Financial Statements to correct these errors.

Pertaining to current year 2022/23

Name	Statement of Financial Position		Statement of Financial Performance	
	Debit £	Credit £	Debit £	Credit £
Revenue			406,954	
Accrued Income		406,954		
<i>Being correction of revenue (grant funding) overstated</i>				
Property, Plant & Equipment	820,430			
Reserves		820,430		
<i>Being recognition of ESH leasehold improvements in PPE</i>				
Expenditure recognised			407,000	
Litigation provisions		407,000		
<i>Being recording of litigation provisions previously released during 22/23 for which basis and supporting documentation remains pending from AG Chambers</i>				
Provisions recognized			885,283	
Litigation provisions		885,283		
<i>Being recording of updates to the litigation provision to align with the Litigation Register</i>				
Expenditure recognized			500,000	
Litigation provisions		500,000		
<i>Being recognition of long term legal fees determined as part of subsequent events</i>				

Pertaining to prior year

Name	Statement of Financial Position		Statement of Financial Performance	
	Debit £	Credit £	Debit £	Credit £
Property, Plant and Equipment Consolidated Fund	770,000			
Accounting for Leasehold Improvements affected to buildings leased by Enterprise Saint Helena.		770,000		

Table 2: Material adjustments to the Financial Statements: requested by management

Management also identified a number of misstatements during the audit and have adjusted the Financial Statements to correct these errors. Adjustments we deem to be immaterial in value individually have not been reported here.

Pertaining to current year 2022/23

Name	Statement of Financial Position		Statement of Financial Performance	
	Debit £	Credit £	Debit £	Credit £
Actuarial Pension valuation movement				1,401,000
Defined Benefit Pension Liability		1,401,000		
Being adjustment to recognize current year service cost				
Actuarial Pension valuation movement				1,149,000
Defined Benefit Pension liability		1,149,000		
Being recognition of interest on scheme liability				

Defined Benefit Pension liability	20,962,000	
Pension reserve		20,962,000
<i>Being an adjustment to reflect changes in assumptions</i>		
Defined Benefit Pension liability	834,000	
Pension reserve		834,000
<i>Being recognition of experience losses</i>		
Defined Benefit Pension liability	1,353,000	
Actuarial Pension valuation movement		1,353,000
<i>Being recognition of benefits paid</i>		

Table 3: Material adjustments to financial note disclosures

Description of correction	Note affected	Value of the error £'000
Amendments to disclose the accounting policy for current investments	10.2.1 Current investments	N/A
Amendment to disclose the results and financial disclosure of controlled entities and the interest free overdraft facility with BOSH	12 Controlled entities	N/A
Amendment to disclose the uncertainties inherent in the roll-forward calculation of the Pensions valuation	Note 10.14.2 Defined Benefit Pension Scheme	N/A
Amendments to disclose the material uncertainty with regards to going concern	11.2 Going concern	N/A
Amendments to disclose the estimation uncertainty associated with litigation claims provision, BFI Decommissioning, overseas medical treatment and Defined Benefit Pension Scheme	10.13 Provisions	N/A
Amendment to disclose the prior period error effects of the capitalised ESH leasehold improvements	11.8 Restatement of prior year period figures	£820
Amendment to Defined Benefit Pension Scheme to disclose the following:	Note 10.14 Pensions	N/A

<ul style="list-style-type: none"> Split to show the current and non-current portion on the face of Financial position Why UK was used as a baseline for mortality assumptions Risks that the plan is exposed to 			
<ul style="list-style-type: none"> Amendment to disclose the following: <ul style="list-style-type: none"> Government operating subsidy to St Helena Hotel Development Ltd Amount owed to the Currency Fund Subsidy to St Helena Airport Ltd Subsidy to Connect St Helena 	Note 12 Controlled entities		£5,038
<ul style="list-style-type: none"> Amendment to remove the description of the termination of the Maestro agreement as a non-adjusting event 	Note 11.8.2.2 St Helena Fibre Optic Cable Project		N/A
<ul style="list-style-type: none"> Amendment to disclose 14 contingent cases raised against SHG which are yet to be pleaded and heard. 	Note 11.7 Contingent assets and liabilities		N/A
<ul style="list-style-type: none"> Amendment to disclose the inventories expensed during the financial year 	Note 10.5 Inventories		£6,038
<ul style="list-style-type: none"> Amendment to remove conflicting assertions on SHG's ability to continue as a going concern without significant curtailment of services. 	Note 11.2 Going Concern		Pervasive
<ul style="list-style-type: none"> Amendment to disclose the material uncertainty associated with expenditure in assets under construction (DBT project), amounting to £0.678m, as required by IPSAS 21.31. 	Note 10.8		£678
<ul style="list-style-type: none"> Amendment to disclose the significant uncertainty on the future plans of the Design, Build and Transfer construction project. 	Note 10.8.9 St Helena Fibre Optic Cable Project		N/A
<ul style="list-style-type: none"> Amendment to disclose the policy on frequency of the full valuation of the Defined Benefit Pension Scheme and when next the full valuation will be performed 	10.14.2 Defined Benefit Pension Scheme		N/A

SCHEDULE OF UNCORRECTED MISTATEMENTS

APPENDIX C

In accordance with ISA 450 I am required to communicate to management any uncorrected misstatements and request a written representation from those charged with governance whether they believe the effects of uncorrected misstatements are immaterial, either individually or in aggregate.

Pertaining to prior year 2019/20

Table 1: Uncorrected misstatements in the Financial Statements

Name	Statement of Financial Position		Income & Expenditure	
	Debit	Credit	Debit	Credit
Land and Buildings	157,114			
Revaluation reserve		157,114		
<i>Being correction of revalued Property additions to reflect transaction cost deemed to be more appropriate</i>				

Pertaining to 2021/22

Name	Statement of Financial Position		Income & Expenditure	
	Debit	Credit	Debit	Credit
Depreciation			50,050	
Accumulated depreciation		50,050		
<i>Being restatement of ESH improvements in prior year</i>				

Table 2: Limitation in the Financial Statements

Description of limitation	Note affected	Value of the limitation £'000
<p>Valuation of assets transferred by Basil Read</p> <p>Asset additions valued at an amount of £0.477m were transferred to St Helena Government by Basil Read under a Settlement Agreement. I was unable to obtain sufficient and appropriate evidence to support the deemed fair values assigned to a sample of assets with a total value of £0.149m. The extrapolated limitation in the remaining population amounted to £0.233m resulting in a total (actual plus extrapolated) limitation of £0.382m.</p>	Note 10.8.12 Property, Plant & Equipment	382

RECOMMENDATIONS TO MANAGEMENT

APPENDIX D

No	Observation	Recommendation	Priority
1	Sufficient appropriate audit evidence could not initially be provided that the accruals in respect of overseas medical referrals was complete at the financial reporting date.	SHG amend their financial reporting procedures to ensure that the trade payables on services providers, which carry a material balance at the financial reporting date, are reconciled to external sources at the financial reporting date such as suppliers' statements. Separately, the accruals for services rendered but not yet invoiced by suppliers at the financial reporting date will continue in accordance with the current accounting policy for such costs.	M
2	The Bulk Fuel Trading account is reflecting an overdrawn position to the amount of £1.371m indicating that the future decommissioning costs of the BFI are presently unfunded.	SHG document the funding mechanism whereby the future BFI decommissioning costs will be met. This documentation should also detail the funding source should the mechanism indicate that these costs cannot be met within existing, or anticipated future, resources on St. Helena.	M

DEFINITION OF PRIORITIES

HIGH	Immediate risk of error, loss of cash or other assets or significant non-compliance with relevant Ordinances or regulations. Action should be taken on these within 2 months.
MEDIUM	Issues identified which would improve the quality of financial reporting and/or internal control systems. Action should be taken on these within 6 months, or by the end of the next financial reporting period, whichever is the earliest.

PRIOR RECOMMENDATIONS FOLLOW-UP

APPENDIX E

No Recommendation		Follow-up	Status
2011/12			
1	Introduction of accruals budgeting.	Whilst SHG has not adopted accrual based budgeting per se, we have adopted some of the principles on a modified cash basis. Ref Budget Guidelines 2023/24-2025/26	On hold
2012/13			
2	A Code of Governance should be developed with reference to the CIPFA/IFAC International Framework on Good Governance in the Public Sector and adopted as a standard against which compliance may be measured in the AGS.	SHG has not yet developed a code of Governance in line with the CIPFA/IFAC International Framework on Good Governance	Open
2016/17			
3	The Financial Secretary should review the relevant statutory provisions for financial control and financial reporting purposes and propose legislative amendments in preparation for the implementation of accruals budgeting in 2019/20.	The necessity to amend legislation for the implementation of accruals budget will be considered following the assessment referred to in recommendation 1.	On hold
4	The Financial Secretary should seek to improve efficiency and accuracy in the statutory accounts production process through automation and quality assurance protocols.	An exercise to upgrade Access Dimensions is scheduled to start in 2024/2025. This exercise is dependent on budget availability and is expected to result in improved efficiency and accuracy in the statutory accounts production process through automation and quality assurance protocols.	In progress
2017/18			

No Recommendation		Follow-up	Status
2018/19			
5	The Financial Secretary coordinates arrangements with Attorney General and other corporate colleagues to improve the management of, and access to, information necessary for the production and audit of the financial statements.	Management has requested that the litigation register be sent directly to Audit on a quarterly basis. The register for the fourth quarter of 2023/24 was sent to Audit in March 2024.	Closed
6	SHG should introduce regulations requiring the preparation and publication of an Annual Governance Statement as part of its annual accountability reporting to stakeholders.	The implementation of this recommendation is linked with recommendation 2. Further consideration on the Code of Governance and resourcing is required before this recommendation can be implemented.	On Hold
7	The Chief Secretary should develop policy and protocol on the use of special severance payments consistent with HM Treasury and Cabinet Office guidance to protect the public interest in cases of termination of employment with financial compensation. The use of non-disclosure agreements should be by exception and where these are applied then provision should be made for essential business need and audit scrutiny.	This policy is to be developed.	Open
8	Management should review current and settled medical negligence cases and where appropriate render claims upon malpractice insurance policies required to be held by clinicians.	Management has advised that this matter remains in progress.	Closed
2019/20			
			In progress

No	Recommendation	Follow-up	Status
9	SHG should expedite the proposed audit law reform amending Part VII of the Public Finance Ordinance to establish Audit St Helena as the independent office of the Chief Auditor and eliminate the need for the Special Fund Trading Account.	Management has advised that there is no action required on their part.	In progress
10	The Financial Secretary should develop a group account reporting framework whereby reporting responsibilities of subsidiary entities should be documented. This should include the requirement for entities to disclose their receivable/payable position with SHG on a scheduled basis. These intra-group positions should be reconciled quarterly.	Management advised that Treasury will implement in 2023/24	In progress
2020/21			
11	SHG prepare a project plan, detailing critical milestones with associated due dates, to ensure that the new BFI will be commissioned in time for the planned decommissioning of the old BFI being 31 December 2025	Due consideration will be given to the drafting of a project plan. Action is pending discussion between SHG and FCDO which is ongoing.	Open
2021/22			

No	Recommendation	Follow-up	Status
12	SHG ensure that adequate internal control arrangements including appropriate resource allocation, are put in place to facilitate an accurate, efficient and effective stock counts.	<p data-bbox="319 941 343 1156">Audit Comments</p> <ol data-bbox="375 464 630 1156" style="list-style-type: none"> 1. Stock count procedures were circulated to the Pharmacy on 8 February 2024. 2. Staff from the Treasury Department took the Pharmacy Count Team Leaders through the instructions on 14 February 2024. 3. The Count Teams were appropriately resourced. 4. The Pharmacy submitted its stock count report on 4 April 2024. <p data-bbox="630 1077 662 1156">Audit</p> <p data-bbox="662 487 726 1156">We confirm that the 2023/24 stock counts were done with no issues found.</p>	Closed
13	SHG incorporate statutory compliance processes in its year-end financial reporting procedures. These should include section 106 procedures for expenditure in excess.	SHG incorporated statutory compliance processes in its year-end financial reporting procedures. Section 106(1) processes were initiated in March 2024.	Closed
14	SHG investigate the reason for the BFI not recouping its operating costs in the 2021/22 financial year and adjust the fuel pricing formula to recover all overheads at the BFI going forward.	Included in the BFI's operating costs for the 2021/22 financial year are abnormally high once off repairs and maintenance costs and freight costs that were essential for the continued operation of the BFI. These costs will be recouped in more than one financial period as evidenced by the £57,050 operating profit recognised in the separate operating accounts of the BFI in 2022/23.	Closed

No	Recommendation	Follow-up	Status
15	EXCO consider the creation of a sub-committee to which oversight of the financial reporting responsibility could be delegated. Alternatively, the procedures of EXCO should be amended to include the review of the draft financial statements before submission to the Chief Auditor for audit under the provisions of Section 109(1) of the Constitution.	The Draft Financial statements for the 2022/23 financial year were submitted to EXCO for review before being submitted to the Chief Auditor for audit.	Closed
16	SHG prepare a business plan to ensure that medical facilities, equipment and infrastructure housed at Bradley's Camp is gainfully employed.	Bradley's Camp is currently being used as a secondary storage facility for the Hospital and as an emergency hospital in the event of a disaster. Audit Comment: There has been no update to the health disaster recovery plan.	In progress
17	SHG should actively seek the assistance of the SHG UK Representative to follow up on outstanding NHS invoices on a regular basis.	Medical fees invoices are now coming in on time. Audit comment: Based on our detailed tests, SHG did not receive all invoices for patients in the UK.	Open
18	The Financial Secretary should update the financial management and reporting processes to incorporate the requirement to consider the financial reporting implications of all significant, complex or unusual agreements entered into by SHG. The implementation of the internal control should be monitored on a regular basis.	The financial management and reporting processes cater for significant, complex or unusual agreements entered into by SHG during the year ended 31 March 2024.	Closed

No	Recommendation	Follow-up	Status
19	The Financial Secretary should develop a suitable framework that governs the transitional arrangements upon the termination, dissolution, expiry or cessation of contracts/ project management units. The framework should include procedures to be undertaken to ensure the smooth and complete transfer of all assets acquired under such arrangements to the appropriate body and the timely update of the relevant financial and project records.	This will be considered as part of the revised procurement regulations by 30 June 2024.	Open
20	Management should prioritize ensuring that the appropriate supporting documentation for the outstanding claims is compiled and a conclusion reached on the outstanding claim.	The Under Claims will be set off against Over Claims in the 2023/24 financial reporting period.	Open

*As explained Note 11.1, Basis of Preparation, the audited Financial Statements are the separate Financial Statements of St Helena Government prepared in accordance with IPSAS 34, *Separate Financial Statements*.

The requirements of IPSAS 35, *Consolidated Financial Statements* are disapplied in St Helena in accordance with section 10 of the Public Finance Ordinance. The preparation of consolidated financial statements for the SHG economic group would require consolidation of the following entities along with the separate Financial Statements of SHG:

- Bank of St Helena Ltd
- Connect St Helena Ltd
- St Helena Hotel Development Ltd
- St Helena Airport Ltd
- Solomon & Company (St Helena) PLC
- St Helena Line Ltd
- St Helena Currency Fund
- St Helena Fisheries Corporation
- Enterprise St Helena

In the absence of such consolidation I am unable to report on the Financial Statements of the SHG economic group or the internal control arrangements of component entities.