



ST HELENA GOVERNMENT

AUDIT ST HELENA MANAGEMENT LETTER TO
LEGISLATIVE COUNCIL – FINANCIAL STATEMENTS
2023/2024

Laid upon the Table 27 March 2025



AUDIT ST HELENA
External Auditors

MANAGEMENT LETTER

SHG FINANCIAL STATEMENTS 2023-24

To the Legislative Council of St Helena Government

18/03/2025

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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 2024 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 2024 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;
 - (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:

1. Qualified Opinion on the fair presentation of the accounts;
2. Opinion on regularity of expenditure and revenue; and
3. Opinion on whether the financial statements have been prepared in accordance with all relevant laws and policies.

For the financial year ended 31 March 2024 my Report contains a qualified opinion on the fair presentation of the annual Financial Statements.

In addition, and without qualifying my Report, I raise an emphasis of matters relating to the significant estimation uncertainty associated with 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 11 March 2024 is published with the SHG Financial Statements for the 2023/24 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 2023/24 Financial Statements draft version 1 submitted for audit on 06 September 2024 together with supporting schedules.

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.

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). Note 10.14.2 sets out that a comprehensive valuation of this long term liability is performed every five years and confirms that the 2023/24 valuation is indeed a comprehensive valuation which was performed by the UK Government's Actuary Department (GAD).

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.

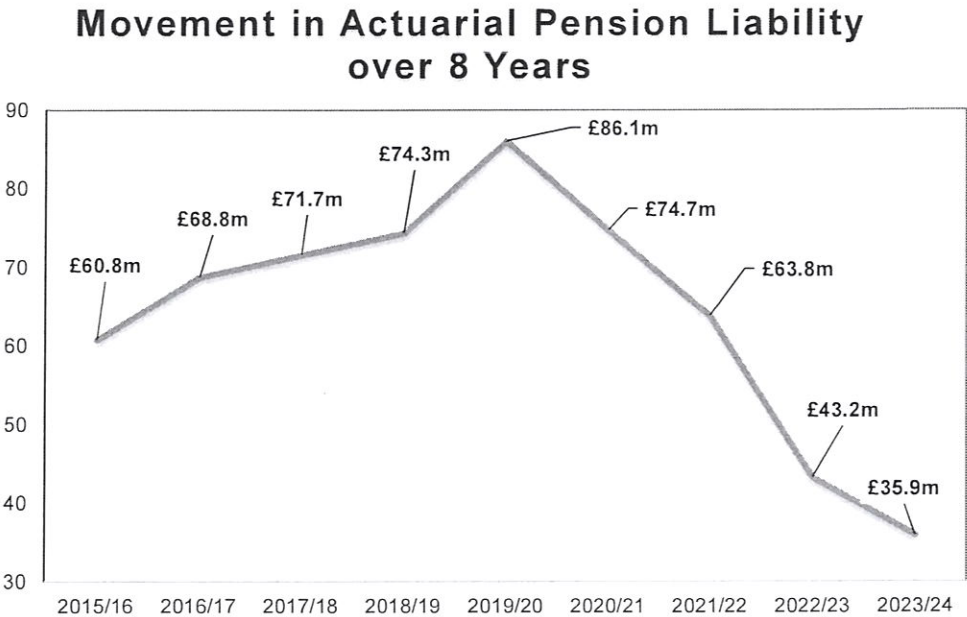
The pension liability has decreased by a further £8.284m million from the year ended 31 March 2023 to £35,910 at 31 March 2024. Note 10.14.2.1 *Movements in the Actuarial Pension Liability* details that £5.014m million of the decrease in the liability can be attributed to changes

in financial assumptions and a further decrease of £2.239m 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 3.9% in 2022/23 to 4.4% in 2023/24. The discount rate has been referenced to the yields on UK Gilts at 31 March 2024.

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). This note discloses a decrease in life expectancy across all categories of the scheme's participants.

FIGURE 1 DBPS LIABILITY 2016 TO 2024



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 2025/26 has not been received from the Foreign, Commonwealth and Development Office (FCDO).

The economic conditions on St Helena are such that SHG is unable to function without continued foreign aid funding from the United Kingdom. In its assessment of the ability of SHG to continue as a going concern into the foreseeable future management has assumed a level of financial aid from the UK Government.

In the absence of the financial aid settlement 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

ASYCUDA RECONCILIATION

Asycuda is the subsidiary system into which all customs revenue is collected. Customs revenue is included in non-exchange revenue in the statement of financial performance and further disclosed in note 9.1 to the financial statements.

Revenue recorded on Asycuda was originally not reconciled to the amounts recognised in the financial statements. The first version of the reconciliation was ultimately provided for audit on the 11 of November 2024. Furthermore, the initial recharges reconciliation was also not initially reconciling by £209,211. A revised and combined version of the reconciliation was subsequently provided on the 29th of November 2024. Whilst it is acknowledged that some improvements were noted on the combined Asycuda reconciliation, including linkages, quick access to reports from Asycuda and Access Dimensions ledgers, as well as a reconciliation to the Access Dimensions nominal code balances, significant time had been spent by the audit team in reviewing the reconciliations which were subsequently superseded.

Recommendation 1: The Financial Secretary should ensure that a routine reconciliation is performed between the customs revenues in ASYCUDA and the main accounting system.

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 monies 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 that no heads of expenditure incurred expenditure in excess of their final approved budget.

Accordingly, 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.

DECLARATION TO LEGISLATIVE COUNCIL

Section 97(2) of the Constitution requires that where there has been a waiver or variation of a tax or levy, due under Section 97(1), the authority or person exercising these powers should report to Legislative Council of this fact on a basis that is not less than annually .

SHG stated that they exercised their power to vary or waiver customs duty receivable to the amount of £8,283 in the 2023/24 financial year but did not provide the Legislative Council with the required declaration under Section 97(2). Systems and processes were also not in place to ensure that the amount of the waivers communicated to audit was complete.

Recommendation 2: Management implement and maintain a central register wherein waivers made under Section 97(2) of the Constitution be recorded. Management should also update financial reporting procedures to include the requirement to report to Legislative Council of waivers or variations on tax or levy collections on an annual basis.

SIGNIFICANT MATTERS WHICH REMAIN UNRESOLVED

BULK FUEL INSTALLATION

Note 10.8.8 details that the Bulk Fuel Installation (BFI) project was terminated in October 2019 with SHG then commissioning further studies to determine the final configuration. The note also highlights the estimation uncertainty inherent in the construction costs of £75.6m accumulated on this project to 31 March 2024. A feasibility study, finalised on 9 September 2024, assessed the optimal engineering solution and confirmed that certain elements of the BFI will not be commissioned. Management has confirmed that the recommendation included in the final engineering study has been adopted subject to £15m funding and procurement of a main contractor.

In the presence of factors indicating that an impairment of expenditure allocated to the BFI may be appropriate, management has not calculated the recoverable service amount of the

asset under construction as required by IPSAS 21, *Impairment of non-cash generating assets* and I am thus unable to conclude that an impairment does not exist.

NON-CURRENT INVESTMENTS

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.

The 2023/24 accounts of the Saint Helena Hotel Development Limited (SHHDL) were only submitted for audit on the 28th of January 2025. In these circumstances I was unable to perform audit procedures to satisfy myself that the net investment in SHHDL to the amount of £587,690 is fairly stated in the financial statements of SHG.

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.

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 2024 amounted to £16.571m (2022/23:£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 included disclosures on the asset under construction being valued at cost as it was deemed to be acquired through an exchange transaction on the basis that SHG made payment to the contractor. The disclosures did not factor into account the appropriate justification for the asset being an exchange transaction in accordance with IPSAS 46.D3, based on there being no active market but rather two market participants and there being no evidence that the asset is not to be used in its highest and best use. Management agreed to amend the financial statements to include the disclosures as required by IPSAS 46.D3.

Management had previously not mentioned the existence of an intangible asset in the form of access rights to the main cable. Management had also not clarified that the value of the two fibre pairs it controls is based on the payments made to Alcatel and the granting of the Indefeasible Right of Use (IRU) over the fibre pairs to Google. Management agreed to amend the financial statements to include a disclosure covering the existence of the intangible asset and the rationale for inclusion of this asset under IPSAS 17, *Property, Plant and Equipment*.

PROPERTY, PLANT AND EQUIPMENT

The certificate of completion for the Equiano cable and associated works show that the project was completed in September 2023. In the draft accounts submitted for audit these works,

valued at £16,322,032, were currently recorded as assets under construction despite these works being fully completed.

Management agreed to pass an adjustment to transfer these assets from Assets Under Construction to Infrastructure in Note 10.8.13 with a further adjustment to account for depreciation charged against this asset amounting to £326,440.

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.

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.

No new financial management and internal control issues were raised during the current audit.

FOLLOW-UP OF PREVIOUS ISSUES

Audit recommendations remaining open from previous Management Letters issued in 2011/12 through 2022/23 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	1	0
2012/13	1	0	1
2016/17	2	1	1
2018/19	3	0	3
2019/20	2	1	1
2020/21	1	0	1
2021/22	4	2	2
2022/23	2	0	2
Total	16	5	11

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 2023/24. I also wish to highlight that the preparation and audit of the financial statements has been completed within the 12-month timeframe as set out in Financial Aid Memorandum of Understanding with the Foreign, Commonwealth & Development Office (FCDO). This represents a significant achievement as the last set of accounts that achieved this sign off milestone was the 2018/19 set of accounts with the audit reporting being issued on the 31st of March 2020.



Brendon Hunt CA (SA)
Chief Auditor for St Helena
Audit St Helena
18 March 2025

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 2024, and the statement of financial performance, statement of changes in net assets and reserves, statement of cash flows, and statement of comparison of budget and actual amounts, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the 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 2024, 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. Property, Plant and Equipment

Infrastructure expenditure on the Bulk Fuel Installation (BFI) amounting to £75.6m is reported within Property, Plant and Equipment on the Statement of Financial Position. In the presence of factors indicating that an impairment of this expenditure may be necessary, management has not provided me with an estimate of the recoverable service amount of the BFI as required by IPSAS 21, *Impairment of Non-Cash Generating Assets*. In the absence of this estimate I am unable to determine whether any impairment adjustments are necessary in respect of the accounting for expenditure recognised on the BFI.

2. Non-Current Investments

SHG's investment in the St Helena Hotel Development Limited (SHHDL) is equity accounted and shown at £0.588m as recognised in the Statement of Financial Position. Its share of the loss of SHHDL amounting to £0.358m for the year ended 31 March 2024 is recognised in the Statement of Financial Performance. The accounts of SHHDL have not been audited for the current period and I have thus been unable to determine, even by alternative means, whether any adjustments are necessary in respect of the accounting for the Investment in SHHDL, as disclosed in note 10.2, and the results of its operations in the Statement of Financial Performance for the year ended 31 March 2024.

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the Financial Statements section of my report. I am independent of SHG in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and I have fulfilled my other ethical responsibilities in accordance with the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material Uncertainty Related to Going Concern

I draw attention to Note 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 Foreign, Commonwealth & Development Office (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 Matter

Material Uncertainty Related to the Fibre Network

I draw attention to Note 10.8.10 in the financial statements which highlights the significant estimation uncertainty associated with the new Fibre Network which is carried at a cost of £0.950m and included within assets under construction in Note 10.8.13. 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 impairment indicators exist for these construction costs, in accordance with IPSAS 21, at 31 March 2024. 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 2024 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 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 SHG's 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

18 March 2025

ANNEX TO THE INDEPENDENT AUDITOR'S 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.

SCHEDULE OF MATERIAL ADJUSTMENTS

APPENDIX B

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

Pertaining to current year 2023/24

Name	Statement of Financial Position		Statement of Financial Performance	
	Debit £	Credit £	Debit £	Credit £
Property, Plant & Equipment-Infrastructure	16,322,032			
Property, Plant & Equipment-Assets under construction		16,322,032		
Depreciation			326,440	
Accumulated depreciation		326,440		
<i>Being reclassification of the Cable project to completed assets and depreciation charge for the year</i>				

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

Management identified several misstatements during the audit and have adjusted the Financial Statements to incorporate information that was not available at the time; the initial draft was submitted for audit. Adjustments we deem to be immaterial in value individually have not been reported here.

Pertaining to current year 2023/24

Name	Statement of Financial Position		Statement of Financial Performance	
	Debit £	Credit £	Debit £	Credit £
Employee Costs – Public Sector Pensions				974,000
Pension Liabilities	7,311,000			

Pension Reserves	8,285,000		
Being recognition of pension current service costs, interest, effects of changes in assumptions, actual gains and pensions paid, following receipt of GAD report			
Share of profits of subsidiaries			727,618
Non-current investments	251,236		
Share of loss of subsidiaries		978,854	
Being recognition of movement in equity for Solomon & Co, Bank of St Helena, Currency Fund, St Helena Hotel Ltd, Connect and St Helena Airport Limited			
Accruals Corporate Finance	18,500		
Compensation - General reserve			18,500
Being accrual for compensation			
Accruals Corporate Finance			45,000
Compensation – General reserve		45,000	
Being accrual for settlement payment of litigation cases			
Provision for liabilities and charges			
Compensation expense (Litigation Reserve)	539,367	539,367	
Being recognition of long term provisions			
Provision for liabilities and charges			
Compensation expense (Litigation Reserve)	385,750		385,750
Being release of part of long term litigation provisions			

Pertaining to current year 2023/24 – Reclassifications

Name	Statement of Financial Position		Statement of Financial Performance	
	Debit £	Credit £	Debit £	Credit £
Trade Debtor (Receivables from Exchange Transactions)	547,006			
Accrued income receivable (Receivables from Exchange Transactions)		547,006		
<i>Being reclassification of income tax received in advance to accrued income receivable</i>				
Property, Plant & Equipment-Transfer to completed works	878,010			
Property, Plant & Equipment – Infrastructure		204,080		
Property, Plant & Equipment – Buildings		673,931		
<i>Being reversal of a premature transfer to completed assets</i>				

Table 3: Material adjustments to financial note disclosures

Description of correction	Note affected	Value of the error £'000
An amendment to disclose results of the latest feasibility study finalized in September 2024, the estimated associated costs and other relevant considerations in relation to the Bulk Fuel Installation included in Assets Under Construction	10.8.8 Bulk Fuel Installation	N/A
An amendment to disclose the total number of cases raised against the Attorney General which are considered to be contingent liabilities	11.8 Contingent Assets and Liabilities	N/A

An amendment to correct the prior year figures on the Cash Flow statement	Statement of Cash flows	N/A
An amendment to disclose non-adjusting subsequent events relating to the following: - Cooperation arrangement entered into with the UK Government regarding future British Indian Ocean Territory migrants - Issue of the feasibility study and design assessment for the Fuel Infrastructure Project	11.9 Events after the Reporting Date	N/A
An amendment to disclose clarification of the basis of the Cable as a non-exchange transaction, interpretation of the nature of the transaction as well as the accounting treatment in accordance with IPSAS 17 and 43	10.8.9 St Helena Fibre Optic Cable Project	N/A
An amendment to disclose the standards, amendments and interpretations in issue but not yet effective or adopted	11.3 Standards, amendments and interpretations in issue but not yet effective or adopted	N/A
An amendment to disclose the co-operation arrangement with the UK Government regarding future British Indian Territory (BIOT) migrants	11.9.2.2 Subsequent Financial Periods	6,650

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 2023/24

Name	Statement of Financial Position		Income & Expenditure	
	Debit £	Credit £	Debit £	Credit £
Retained earnings	64,836			
Income-Customs duty				64,836
<i>Being an adjustment to correct customs duty revenue over-accrued in prior year</i>				

Table 2: Limitation in the Financial Statements
Pertaining to 2022/23

Description of limitation	Note affected	Value of the limitation £'000
Valuation of assets transferred by Basil Read 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.	Note 10.8.13 Property, Plant & Equipment	382

Table 3: Material uncorrected adjustments to financial note disclosures
Pertaining to 2023/24

There were no uncorrected adjustments to financial note disclosures

RECOMMENDATIONS TO MANAGEMENT

APPENDIX D

No	Observation	Recommendation	Priority
1	The reconciliation of a subsidiary system, ASYCUDA, was not reconciled to the main accounting system on a regular basis.	The Financial Secretary should ensure that a routine reconciliation is performed between the customs revenues in ASYCUDA and the main accounting system.	M
2	The annual declaration to Legislative Council, required by Section 97 of the Constitution, on waivers of taxes and duties has not been performed.	Management implement and maintain a central register wherein waivers made under Section 97(2) of the Constitution be recorded. Management should also update financial reporting procedures to include the requirement to report to Legislative Council of waivers or variations on tax or levy collections on an annual basis.	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.	While SHG has not fully adopted accrual-based budgeting, we have incorporated some of its principles within a modified cash-based framework, as outlined in the Budget Guidelines 2023/24–2025/26. Following a review of accrual-based budgeting and the existing modified cash-based system, Management concluded that the current modified cash-based approach remains the most suitable and will be maintained.	Closed
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 formal Code of Governance in line with the CIPFA/IFAC International Framework on Good Governance in the Public Sector. Further consideration on the Code of Governance and resourcing is required before this recommendation can be implemented.	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.	Based on management's position on recommendation number one above, no legislative amendments are required.	Closed

No	Recommendation	Follow-up	Status
4	The Financial Secretary should seek to improve efficiency and accuracy in the statutory accounts production process through automation and quality assurance protocols.	In response to the recommendation, we have embedded several key schedules and reconciliations directly into the Extended Trial Balance Workbook. Additionally, we have added checklists to ensure the published financial statements align with the Extended Trial Balance Workbook. These steps are part of our ongoing efforts to enhance the accounts production process and streamline workflows. To further address the recommendation, an exercise to upgrade Access Dimensions is scheduled, dependent on budget availability. This initiative aims to improve efficiency and accuracy through enhanced automation and the implementation of robust quality assurance protocols.	In progress
2018/19			
5	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 closely linked to the outcomes of recommendation number two. As highlighted in recommendation two, further consideration of the Code of Governance and the associated resourcing requirements is necessary before this recommendation can be implemented.	On Hold
6	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.	A policy regarding the use of special severance payments, designed to safeguard the public interest in cases of employment termination with financial compensation, is yet to be developed.	Open
7	Management should review current and settled medical negligence cases and where appropriate render claims upon malpractice insurance policies required to be held by clinicians.	The review of medical negligence cases and the submission of claims under malpractice insurance policies, where appropriate, are currently in progress.	In progress

No	Recommendation	Follow-up	Status
2019/20			
8	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.	Closed
9	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.	A group account reporting framework whereby reporting responsibilities of subsidiary entities will be documented and implemented by the end of the 2025/26 financial year.	In progress
2020/21			
10	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 January 2028	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			
11	SHG prepare a business plan to ensure that medical facilities, equipment and infrastructure housed at Bradley's Camp is gainfully employed.	SHG recognizes the audit recommendation and has taken action to ensure Bradley's Camp is being effectively utilized. While the health disaster recovery plan is one aspect of the operational framework, there are additional supporting measures in place that confirm the facility's active role in both storage and emergency medical services. SHG will continue to review and enhance the disaster recovery plan, ensuring Bradley's Camp remains optimally prepared and utilized for both routine and emergency purposes.	Closed

Recommendation		Follow-up	Status
12	SHG should actively seek the assistance of the SHG UK Representative to follow up on outstanding NHS invoices on a regular basis.	SHG has not yet received invoices for three patients who received treatment in the UK. However, SHG has fully addressed the recommendation by engaging the assistance of the SHG UK Representative to follow up on these outstanding invoices. Although the follow-up did not result in the receipt of these long-outstanding invoices, we currently do not have any new long-outstanding invoices. The estimated amounts for these invoices have been included in Note 10.3 Provisions, totalling £49,000, in compliance with PSAS 19 - Provisions, Contingent Liabilities, and Contingent Assets.	Closed
13	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.	Open
14	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 2024/25 financial reporting period.	In progress

No Recommendation		Follow-up	Status
2022/23			
15	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.	SHG has amended its financial reporting procedures to ensure that material balances for trade payables are reconciled to external sources such as supplier statements. From the 2024/25 Financial Period, the External Audit file must include Trade payables reconciliations.	Open
16	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.	SHG will, in consultation with the FDCO, document the funding mechanism whereby the future BFI decommissioning costs will be met.	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 disappplied 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.

