States of Jersey
States Assembly

États de Jersey
Assemblée des États

Public Accounts Committee

Financial Directions

Presented to the States on 6th August 2015

PAC.2/2015

Contents

Key Findings

Public and private sector organisations require fundamentally similar systems of internal control to provide reasonable assurance regarding the achievement of objectives. Financial Directions are a key element of the specific system of internal control within the States of Jersey.

Notwithstanding those similar requirements, there are some fundamental differences in the design and implementation of the control framework in place within the States of Jersey and those in operation in similar-sized businesses and smaller state-level governments aspiring to meet best practice standards. In August 2014, the Comptroller and Auditor General (C&AG) published a dispassionate and frank report[1] regarding the state of the control framework in operation across the States. A total of 13 recommendations were offered in that report with a view to improving the position.

All the recommendations made in the C&AG's report were subsequently accepted or accepted in principle by the then Minister for Treasury and Resources on behalf of executive departments. Almost one year on, we have found that, notwithstanding some positive steps taken by the Human Resources section of the Chief Minister's Department, the programme of work to implement the recommendations has yet to start in earnest.

This lack of progress is difficult to accept given the evidential basis for the recommendations made in R.121/2014, the then Minister's public acceptance of those recommendations and, perhaps above all, the fundamental importance of getting the control framework right as the States embark on the pursuit of new invest to save initiatives and other major changes that are called for in the next phase of the Public Sector Reform programme. Experience suggests that systems of internal control inevitably come under greater pressure during major change programmes. As things stand, the next phase of reform is being embarked upon when serious problems with the core design and implementation of Financial Directions have yet to be fixed.

The States employ a significant number of qualified accountants across the organisation. At least some of those will be capable of assisting the Treasury to undertake the necessary work. In the event that all qualified accountants are now fully employed on matters more suited to their qualifications, skills and experience, it should still be possible to secure supplementary external resource to allow for Financial Directions to be reworked, perhaps by seconding staff from another comparable jurisdiction or by outsourcing certain work. Such systems of internal control are hardly unique to the States of Jersey. When

[1] R.121/2014 refers

undertaking her original review of Financial Directions, the C&AG had no particular difficulty in identifying broadly comparable organisations that had reviewed their own control frameworks with a view to achieving best practice.

We invite the Chief Executive, States of Jersey and the Treasurer of the States to reflect on the number and the significance of the issues with the existing Financial Directions and to commission without further delay a programme of work to implement the recommendations promptly, using internal and, if necessary, supplementary external resource.

Recommendations

1. The Chief Executive should ensure that all future departmental responses to PAC reports include specific timescales for implementation of accepted recommendations, together with confirmation of the Accounting Officer with responsibility for overseeing implementation.

2. The Treasury should rework Financial Directions on the basis of a principles-based assessment and with due regard to best practice in comparable jurisdictions and / or medium-sized businesses.

3. The Treasurer of the States, acting in consultation with the Director of Human Resources, should revisit the executive response to recommendation 6 of the C&AG's report R.121/2014 and ensure –

   (a) that proportionate training arrangements for all non-finance managers covering the basis for and the requirements of Financial Directions are in place by 2016, and

   (b) that, with reference to recommendation 4 of this report, existing arrangements to communicate to both finance and non-finance managers across the organisation any changes to Financial Directions are fully evaluated and improved as necessary.

4. The Treasurer of the States should oversee the identification, procurement and implementation of a suitable platform during 2015 to facilitate effective updating, navigation, searching and cross-referencing of Financial Directions.

5. The Treasurer of the States should ensure that Lean methodology is suitably applied within the project plan to rework Financial Directions.

6. The Treasurer of the States, in conjunction with the Corporate Management Board, should ensure in the earliest possible course that requirements for record keeping across the organisation are aligned with the mandatory requirements of Financial Directions and that relevant staff benefit from appropriate training in this regard.

7. The Chief Executive and the Treasurer of the States should ensure that any findings of the forthcoming Internal Audit report on the Port Galots scheme that reveal breaches of or flaws within Financial Directions are acted on promptly and that any measures needed to regularise the long-standing Sea Cadets relocation project are recommended to relevant Ministers as soon as possible.

8. The Chief Executive, in consultation with the Treasurer of the States and the Director of Information Services, should report back to the PAC before the end of 2015 summarising all steps taken to automate controls to assist in ensuring compliance with Financial Directions efficiently.

9. The Chief Executive and the Director of Information Services should review the departmental response to recommendation 1 of the C&AG's report R.121/2014 with reference to the C&AG's recent report on Information Security and report to the PAC before 31st December 2015 outlining either –

(a) the programme of work being undertaken to implement recommendation 1 of R.121/2014 in respect of controls on information management, or

(b) why existing arrangements are deemed sufficient.

1 Introduction

1.1 Organisations such as the States of Jersey establish policies and procedures that help ensure management directives are carried out and objectives are achieved. Those that concern the finances of the States are created in accordance with Article 34 of the Public Finances (Jersey) Law 2005 and are known as Financial Directions. Other States of Jersey policies and procedures concerning information management and human resources exist but not as a consequence of a specific provision in primary legislation.

1.2 In August 2014, the C&AG presented to the States her report on Financial Directions.[2] The report suggested that the States should strive for Financial Directions that were *'accessible, consistently complied with and not perceived as unduly onerous.'* Whereas the C&AG acknowledged the substantial development of Financial Directions undertaken during the period 2012 – 2014, her report asked some hard questions regarding the overall benefit derived from that work. A total of 13 recommendations were made to facilitate a stronger, more effective and ultimately more viable system of internal control. The report also acknowledged the availability of comparable examples of best practice implementation elsewhere.

1.3 In October 2014 the then Minister for Treasury and Resources chose to present to the States a response to R.121/2014 on behalf of his department.[3] His response indicated that all of the recommendations were either accepted or accepted in principle by the Treasury and Resources Department. Deadlines for implementation of the planned improvements were nevertheless missing from the Ministerial response, as was any confirmation as to which officers were to take ownership of each commitment.

1.4 We expected to find evidence of positive change by the summer of 2015. To date, however, the body of work undertaken by the executive to address the various issues identified in R.121/2014 has been limited in scope.

Recommendation 1
The Chief Executive should ensure that all future departmental responses to PAC reports include specific timescales for implementation of accepted recommendations, together with confirmation of the Accounting Officer with responsibility for overseeing implementation.

[2] R.121/2014 refers
[3] R.152/2014 refers

2 Weaknesses in Design

2.1 The key weaknesses in the design of Financial Directions that were identified in August 2014 have yet to be addressed.

2.2 As of July 2015, there are 35 Financial Directions in force spanning some 600 pages. This is, on both counts, more than the C&AG found in August 2014. Other draft Financial Directions remain at various stages of development. New or revised Financial Directions issued since the publication of R.121/2014 have been drafted, indexed and made available in PDF form via a dedicated page on the States of Jersey Intranet in largely the same way as before.

2.3 It has been put to us that substantive work has been undertaken to implement the recommendation to adopt a suitable IT tool to facilitate effective updating, navigation, searching and cross-referencing of Financial Directions. Existing intranet pages containing Financial Directions *'have been migrated to Sharepoint'* which *'...allows users to search for terms within the documents themselves and to identify all relevant directions.'* Given that it was already possible to search for terms within individual PDF copies of Financial Directions before this change, and given that we have not been presented with evidence to demonstrate a change in the process for authoring, updating and cross-referencing (via structured use of metadata or other such means), we conclude that not enough has been done to implement this recommendation.

2.4 Software to help implement the above recommendation is readily available at various price points. Thoughtful implementation should help accelerate production, publication and assimilation by those concerned with the production of Financial Directions and those who need to understand and apply them. It should also make for an easier amending and updating process in the longer term, thereby increasing cost effectiveness. Their output should make it easier for officers to follow and understand the inter-relationship between different Financial Directions, as was deemed particularly important in at least one notable case considered by the Public Accounts Committee during 2013 and 2014.

2.5 We have been offered several reasons for the delay in moving forward on other recommendations. First, the timing of the original C&AG report was considered less than ideal for the Treasury. It was published shortly after the labour-intensive States of Jersey Financial Report and Accounts 2013 had been produced, when the new Treasurer of the States had yet to be appointed permanently to the role and when a key section of the Treasury was understaffed. This understaffing continued for a number of weeks during 2015, not least because the Treasury and Resources Department top-sliced its budget by 2 per cent and applied the same vacancy management policy as all other departments.[4] Second, the Treasury allocated the project to its decision support section to progress in collaboration with other departments.[5] We understand that the decision support team is comparatively small and, although capable, has a substantial workload. Third, the department was legally obliged to produce annual accounts for the 2014 financial year within a set timeframe and has also been obliged to concentrate on a challenging draft Medium Term Financial Plan during the first half of 2015. Fourth, we were advised that the Treasury did not have a viable budget to call upon to buy in additional resource to assist with implementation for a finite period.

2.6 Although we note the reasons offered, we remain to be convinced that the climate for achieving change will be any more favourable in the coming months if systems, processes and priorities remain largely as they are. The States of Jersey Financial Report and Accounts remain labour intensive to produce in the current format with existing tools and practices. Financial pressures identified in 2015 have reportedly made the task of compiling a new draft Medium Term Financial Plan (MTFP) particularly challenging – to the extent that the full plan will not be available until next year. Production of the incomplete MTFP has rendered the Treasury unable to fulfil other important duties, such as responding to this committee within an acceptable timeframe regarding the C&AG's highly significant report on Financial Management. Preparations will soon be underway for the States debate in early October on the draft MTFP and on any amendments to the same, following which budget preparations and other work will doubtless step up a gear. Then, in 2016, the Executive will seek to complete the outstanding MTFP work for 2017 whilst maintaining focus in the latter stages of its Public Sector Reform change programme.

2.7 The Treasurer of the States has convinced us of his desire to address weaknesses in the design of Financial Directions. He reports that work will start imminently and he has articulated to us the outline of a plan that should lead to the introduction of a direct and accessible house style, the embedding of consistently clear statements of the control risks being addressed and the linking of mandatory requirements to control risks. In this regard, he has identified equivalent directions in other jurisdictions that might serve as a useful benchmark for the development of reworked directions locally.

2.8 What we have yet to see from the Treasurer, however, is a documented project plan to achieve full implementation of the accepted recommendations, supported by a corresponding communication and training plan encompassing all departments. The need

4 Transcript of public hearing with the Treasurer of the States dated 18th May 2015 – page 8
5 Transcript of public hearing with the Treasurer of the States dated 18th May 2015 – page 10

for the former is all but self-evident, while the latter will be needed to support staff as they develop an understanding of, and maintain compliance with, the revised control framework. While we acknowledge the Treasurer's keenness to ensure that, in future, staff fully understand the risks Financial Directions are intended to mitigate, we are advised that some departments are currently more proactive than others in ensuring that all budget holders have attended financial management training. Moreover, the available evidence regarding the extent of relevant training for non-finance managers undergoing the Modern Manager Programme is not sufficient to allow us to conclude that the training is adequate.

2.9 When the Treasury-led project plan is produced, we hope it will set out a timetable that reflects the significance of the problem. At present, the Treasury intends to pilot one revised Financial Direction by the end of this year, with work on the remainder to be undertaken through to the end of 2016.[6] Such a timeframe would mean that recommendations made by the C&AG – which have been accepted subsequently by the Treasury - will take more than 2 years to implement. We find it difficult to reconcile such a timeframe with the level of risk to the organisation apparent in R.121/2014 and with the detailed terms of the then Minister's published response.

2.10 The Executive is now embarking on a second phase of the major Public Sector Reform change programme. There should be no shortage of audit professionals able to offer advice on the extent to which major change programmes tend to result in loosening of systems of internal control. The findings in R.121/2014 indicate that such loosening would be something that the States could ill afford.

Recommendation 2

The Treasury should rework Financial Directions on the basis of a principles-based assessment and with due regard to best practice in comparable jurisdictions and / or medium-sized businesses.

Recommendation 3

The Treasurer of the States, acting in consultation with the Director of Human Resources, should revisit the executive response to recommendation 6 of the C&AG's report R.121/2014 and ensure –

[6] Transcript of public hearing with the Treasurer of the States dated 18th May 2015 – pages 8-9

(a) that proportionate training arrangements for all non-finance managers covering the basis for and the requirements of Financial Directions are in place by 2016, and

(b) that, with reference to recommendation 4 of this report, existing arrangements to communicate to both finance and non-finance managers across the organisation any changes to Financial Directions are fully evaluated and improved as necessary.

Recommendation 4

The Treasurer of the States should oversee the identification, procurement and implementation of a suitable platform during 2015 to facilitate effective updating, navigation, searching and cross-referencing of Financial Directions.

3 Cultural Issues Affecting Compliance

3.1 Recommendation 2 within R.121/2014 proposed that the Treasury and Resources Department review how it engaged with departments. In essence, the department was being encouraged to adopt an approach that was strikingly similar to the Lean methodology that the organisation has been adopting as part of the Public Sector Reform programme. Recommendations 11, 12 and 13 encouraged a revised balance and greater clarity regarding mandatory directions versus supporting guidance, supported by a sense check re the practicality of all mandatory directions.

3.2 We are conducting a separate review of the ongoing Public Sector Reform programme, which is effectively at the mid-point of its 6½ year lifespan. The programme focus is shifting away from groundwork in preparation for change towards the pursuit of new invest to save initiatives and the implementation of other major changes. A drive to put in place clear, accessible and comprehensive but concise mandatory requirements via the 4 recommendations cited above would have more closely aligned Financial Directions with the cultural change agenda that has been ongoing since at least 2013. It would have made for a sensible groundwork project.

3.3 The Treasurer of the States has significant experience of Lean methodology as a consequence of his serving as Chief Officer, Social Security Department through 2013 and part of 2014, during which time he oversaw a number of Lean projects in that department. We look forward to the Treasurer drawing upon that experience when overseeing the project plan to implement the recommendations cited above – and doing so before the latter phase of the Public Sector Reform programme advances much further.

Recommendation 5

The Treasurer of the States should ensure that Lean methodology is suitably applied within the project plan to rework Financial Directions.

4 Effectiveness of Compliance Monitoring

4.1 When the Minister for Treasury and Resources responded to R.121/2014 last autumn, he hinted that the annual governance statement in the States of Jersey Financial Report and Accounts 2014 might not be amended to take account of the C&AG's recommendation. Now that the 2014 Report and Accounts have been published, it is apparent that the significant governance issues identified are indeed discussed without specific reference to relevant Financial Directions.

4.2 We have learned that work to align requirements for record keeping with the mandatory requirements of Financial Directions[7] is due to commence as part of the broader implementation plan. This will aid the process of compliance testing. The fact that a formal project plan to achieve implementation has not yet been shown to us means that we are not yet able to assess the extent of support that finance staff in other States departments will be providing to assist in this work when it does begin. Again, there does appear to be scope to apply Lean methodology from the design stage forwards and with a focus on monitoring and ultimately maximising compliance.

4.3 Concern has been expressed that pursuing the recommended changes might increase the administrative burden on States departments. Our view is that accepting a proportionate administrative burden in some areas of organisational activity does not prevent an organisation from streamlining administration in other parts of its business.

4.4 The C&AG's findings in R.121/2014 concerning compliance with Financial Directions on Travel and Accommodation and Use of Management Consultants are both straightforward and concerning. They must be addressed. Moreover, and in recognition of the fact that the C&AG tested only a sample of the Financial Directions during the course of her review, the Executive should be mindful of the possibility that objective testing of other existing Financial Directions would yield similarly negative results. There are material flaws in both the design and the operation of the control system that the Internal Audit function is working to mitigate but would struggle to fully negate.

4.5 The Treasury is committing to an annual review of Financial Directions following the preparation of the annual governance statement, albeit that the resource it will allocate to the task is not yet clear. Ultimately, however, we have yet to receive firmly evidence-based assurances that Financial Directions are being complied with consistently across the organisation as of now. In fact there remain indications that there is some way to go to

[7] Recommendation 10 of R.121/2014 refers

embed a culture of compliance. Observations by the Treasurer of the States the Chief Internal Auditor imply recognition of the need to record breaches but stop short of discussing the extent to which disciplinary or other substantive actions follow once breaches are recorded.[8]

4.6 We are advised that 119 exemptions to Financial Directions were approved during 2014. On the one hand, this may not be perceived as a high number given that the Accounts Payable team processed almost 236,000 transactions in that year. On the other, we note that 90 per cent of exemptions concerned procurement activity, which seems significant. It may be high enough to give departments the impression that exemptions from Financial Directions for procurement activity are not difficult to secure. The corresponding implication is that compliance is less than mandatory.

4.7 The Treasurer of the States has now implemented a policy of refusing to grant retrospective exemptions. While this is a welcome development, the fact that such exemptions were granted before his arrival in post is indicative of the attitude towards compliance that is only slowly being addressed. It may also point to a problem with the design or drafting of the Financial Directions themselves.

4.8 We have heard that in signing the annual governance statement in the Financial Report and Accounts for 2014, the Chief Executive, States of Jersey and the Treasurer of the States take a number of material steps to confirm that, to the best of their knowledge, the governance arrangements in place have been effective. There is nevertheless a lack of clarity as to whether disciplinary sanctions, training provision or other specific actions have been taken when instances of non-compliance have been found – or indeed whether specific instances of non-compliance have been determined. In this regard, it seems anomalous that an organisation of the scale of the States of Jersey and with a 600 page financial rulebook would not have any proven cases to declare, notwithstanding the need to take account of both data protection and freedom of information legislation.

4.9 During the earlier part of this year and following the high level of interest in this topic by the public, the media and in the States Assembly, we resolved to enquire into what we had initially assumed was an unrelated matter of the finances associated with a programme of work to relocate the Jersey Sea Cadets. This topic had not featured in the C&AG's original review. Appendix 3 to this report offers a summary of our enquiries into the Sea Cadets relocation project.

[8] Transcript of public hearing with the Treasurer of the States dated 18th May 2015 – page 7

4.10 While much of the history of the Sea Cadets relocation project appears to point to certain weaknesses of the system of government in operation in the mid to late 1990's, it also points to some possible issues with the application of Financial Directions to the recent Port Galots relocation scheme. Neither Financial Directions nor the earlier Codes of Direction prevented capital programme monies originally allocated by the States in December 1994 from lying dormant in the system for an excessive number of years while the specified purpose of the allocation remained unfulfilled.

Recommendation 6

The Treasurer of the States, in conjunction with the Corporate Management Board, should ensure in the earliest possible course that requirements for record keeping across the organisation are aligned with the mandatory requirements of Financial Directions and that relevant staff benefit from appropriate training in this regard.

Recommendation 7

The Chief Executive and the Treasurer of the States should ensure that any findings of the forthcoming Internal Audit report on the Port Galots scheme that reveal breaches of or flaws within Financial Directions are acted on promptly and that any measures needed to regularise the long-standing Sea Cadets relocation project are recommended to relevant Ministers as soon as possible.

5 Scope for Automating Controls

5.1 In his Ministerial response of October 2014, the then Minister for Treasury and Resources was clear in his acknowledgement that system-based controls were an integral part of a successful system of financial control. His response was nevertheless not entirely clear on whether the executive had committed to take positive action in cases where corporate and departmental systems were less than strong.

5.2 We are pleased to acknowledge that the new Supply Jersey portal has since been launched and is reportedly having a beneficial impact in the specific area of procurement activity. It is nevertheless clear that the broad eGovernment agenda being pursued as part of the Public Sector Reform programme has the potential to bring about significant change to systems right across the States of Jersey. This work-stream is reportedly fully underway again after a brief pause earlier this year. In turn, the status of eGovernment raises the material possibility that specifications for new IT systems will be aligned to the unamended Financial Directions - which would not be the easiest of tasks and would risk further embedding existing flaws in internal controls. Each of our recommendations calls for work to be completed by the end of 2015 so as to mitigate the above risk.

Recommendation 8

The Chief Executive, in consultation with the Treasurer of the States and the Director of Information Services, should report back to the PAC before the end of 2015 summarising all steps taken to automate controls to assist in ensuring compliance with Financial Directions efficiently.

6 Controls in Human Resources and IT

6.1 Improvements are being made to the States' system of internal control in the human resources field. We note that work to streamline and standardise HR policies has been progressing during the last 24 months and that a related amendment to the Employment of States of Jersey Employees (Jersey) Law 2005 has been lodged.[9] If adopted, the amendment would provide for the introduction of States Employment Board approved Codes of Practice to prescribe corporate standards and a framework for departments to work within when developing procedures for the employment, care and health, safety and welfare of employees. This is a welcome development.

6.2 We have not yet seen similar rates of progress in the Information Services sphere, although we acknowledge that some relevant work is underway. The C&AG's recent summary report on information security[10] reinforces the need for significant work to be done in this area.

6.3 The Executive has invited us to accept that IT controls are audited on an annual basis by the C&AG and external auditor and have regularly not shown areas of high concern. We reject that view for two reasons. First, the responsibility of the C&AG to review and report to the States on the effectiveness of internal controls is discharged by selecting areas to review based on an assessment of risk and, where appropriate, considering the work of others, including external and internal audit. The C&AG does not, therefore, review any IT based controls in any given year. Second, whilst external audit each year reviews aspects of internal control including the controls related to IT, the focus of external audit is on internal controls relevant to the preparation of financial statements and is designed to enable them to design appropriate audit procedures to give an opinion on the financial statements. The work undertaken by external audit is not, therefore, designed to identify all significant deficiencies in IT-related controls.

6.4 We are advised that a relevant improvement roadmap has now been produced and is now being resourced and planned. Information Security is reportedly viewed by the Corporate Management Board as a high priority and a review of security policies is therefore planned, together with an awareness and education programme.

6.5 Given that we are currently considering an initial response of the Chief Minister's Department to the recent C&AG summary report on information security, we may consider it appropriate to revisit this issue in the short to medium term. In the intervening period, we

[9] P.60/2015 refers
[10] R.75/2015 refers

look forward to receiving an update on the status of the CMB-sponsored work and how it is impacting the system of internal control.

Recommendation 9

The Chief Executive and the Director of Information Services should review the departmental response to recommendation 1 of the C&AG's report R.121/2014 with reference to the C&AG's recent report on Information Security and report to the PAC before 31st December 2015 outlining either –

(a) the programme of work being undertaken to implement recommendation 1 of R.121/2014 in respect of controls on information management, or

(b) why existing arrangements are deemed sufficient.

7 Conclusion

7.1 Given that Financial Directions are indisputably a key element of the States' system of internal control and given that the executive's response to the C&AG's report on Financial Directions was on the face of it so positive, we find it difficult to accept that relatively little has been done to implement the majority of the recommendations that were accepted almost one year ago.

7.2 It seems equally difficult to comprehend that executive departments could include the strategic and financial planning processes that followed a public election among their excuses for slow progress in the intervening period. These events were foreseeable. They could and ultimately should have been planned for as part of a rolling programme of work.

7.3 There are, in our view, signs that the States have a finance function so focussed on completing tasks within the constraints of existing procedures, practice and historical resource allocation that there is perceived to be limited scope to implement change in the short to medium term. This, coupled with an apparent belief within the Executive that Financial Directions already offer a broadly reasonable framework, seems to have caused the implementation of changes to Financial Directions to be given a lower priority.

7.4 We have a degree of sympathy for the recently appointed Treasurer of the States, who has inherited a department with finite resources at the heart of a broader organisation that we suspect has not been set up to plan financially on a rolling basis. If our hypothesis is correct, it is perhaps not surprising that the Treasury has been overwhelmed in 2015 with the demands of the political cycle. The corporate approach to financial planning will be considered in detail later this year when we follow up the C&AG's report on financial management.

7.5 Whatever the reasons for the ongoing delays in implementing change, the States are still relying on a poorly designed control framework which is bureaucratic, costly and ultimately not as effective as it needs to be at the very time the Public Sector Reform programme is reportedly transitioning from the first phase of enabling workstreams to the implementation of substantive change projects by 2018. As things stand, the Human Resources function is making significant progress with its equivalent policy framework but revised Financial Directions are not in place to help with the drive for positive cultural change.

7.6 It is clear from the C&AG's own report on financial management that the States employ a significant number of qualified accountants. At least some of those should be capable of undertaking or assisting the Treasury with the necessary work. In the event that all qualified accountants are now fully employed on matters commensurate with their qualifications, skills and experience, it should still be possible to secure additional resource in the short term to rework Financial Directions, either by seconding staff from another comparable jurisdiction or by outsourcing certain work. Such systems of internal control are hardly unique to the States of Jersey.

7.7 However the implementation programme is to be executed, our overarching conclusion is that the work to implement the recommendations accepted last year in R.152/2014 needs to be substantially complete before the second phase of the Public Sector Reform programme begins in earnest. Achieving that outcome will require some reprioritisation and, conceivably, a call on the restructuring provision. Maintaining the December 2016 timeframe for completion will put at risk the desired outcomes of reform.

Appendix 1: Terms of Reference

To consider the executive response to the Comptroller and Auditor General's report on Financial Directions and, in particular, plans made and actions being taken to implement the recommendations made therein.

Appendix 2: Witnesses Heard and Written Evidence Considered

Witnesses

Chief Executive, States of Jersey

Director of Human Resources, Chief Minister's Department

Treasurer of the States

Chief Internal Auditor

Written Evidence

Comptroller and Auditor General's Report R.121/2014

Ministerial response to recommendations made R.152/2014

Supplementary correspondence from the Treasury and Resources Department concerning R.152/2014.

Various minutes of the Policy and Resources, Defence / Home Affairs, Fort Regent Development, Harbours and Airport, and Sport, Leisure and Recreation Committees dating from 1988 – 2004.

Treasury and Resources Department Briefing Note for States Members dated 24th February 2015 and concerning Port Galots.

Appendix 3: Summary of Sea Cadets Relocation Case Study

In December 1994 the States resolved to allocate £600,000 within the capital programme for the following year to secure a new home for the Sea Cadets, notwithstanding that there were reportedly doubts as to whether the then Sport, Leisure and Recreation Committee - which would receive the capital programme monies - had a viable and firmly costed rehoming scheme in place.

There followed several subsequent years of difficulties in securing inter-committee cooperation. The emerging plans of the then Waterfront Enterprise Board and certain other complications compounded the initial difficulties in progressing feasibility studies and securing a new site. Little substantive progress had been made by December 2005, when ministerial government was introduced. The balance of the original £600,000 capital allocation became the responsibility of the Education, Sport and Culture Department, before being transferred to Jersey Property Holdings during 2006.

The balance of the Sea Cadets relocation monies effectively laid dormant in the budget until 2011 when the then draft Island Plan 2011 was successfully amended so that it contained a specific provision to provide a building suitable to accommodate the headquarters facility of the Jersey Sea Cadets at the site known as Les Galots, Old South Pier, St. Helier. At that time the constitution of the States Assembly was markedly different to that of the Assembly that had allocated the original £600,000 sum and it may be reasonable to assume that not all States Members were aware of the 1994 decision and the status of the capital allocation.

The above development, coupled with the circumstances surrounding the withdrawal of Deputy M.R. Higgins' amendment to the then draft Medium Term Financial Plan 2013 - 2015, effectively revitalised the Sea Cadets relocation proposal - save that by 2013 the original capital allocation had been deemed by those advancing the scheme to require supplementation or to become a component part of a broader public and private initiative, so as to achieve the original objective.

On the basis of the documentation made available to us and having questioned both the Chief Executive and the Treasurer of the States on the matter, we have 2 issues. First, it is not clear that an assessment of compliance with Financial Directions was carried out when the States decision of December 1994 was indirectly revisited through 2011 and 2012, and when third parties became engaged in what became the Port Galots scheme. Second, we remain to be fully convinced that the system of internal control is strong enough to prevent future instances of approved capital programme allocations lying dormant in departmental balances for perhaps a decade or more without the States being formally notified that the declared outcome has yet to be delivered. In this regard, we note that an Internal Audit review of this matter has been commissioned.

Connétable C.H. Taylor declared a non-pecuniary conflict of interest during the course of this enquiry. His declaration is recorded in the committee's minutes.

Appendix 4: Committee Membership

States Members

Deputy A.D. Lewis (Chairman)

Deputy S.M. Wickenden (Vice Chairman)

Connétable C.H. Taylor

Deputy J.A. Martin

Independent Members

Mr. G. Drinkwater

Mr. R.J. Parker

Mr. M.J. Robinson