
STATES OF JERSEY



PUBLIC AUDIT IN JERSEY – A THINKPIECE (R.11/2021): EXECUTIVE RESPONSE

**Presented to the States on 24th March 2021
by the Public Accounts Committee**

STATES GREFFE

REPORT

Foreword

In accordance with paragraphs 64-66 of the [Code of Practice](#) for engagement between ‘Scrutiny Panels and the Public Accounts Committee’ and ‘the Executive’, (as derived from the [Proceedings Code of Practice](#)) the Public Accounts Committee presents the interim Executive Response to the Comptroller and Auditor General’s Report entitled [Public Audit in Jersey: A Thinkpiece](#) (R.11/2021 presented to the States on 27th January 2021).

The Committee has been advised that the Government intends to publish a full Executive Response to the C&AG’s report in due course. The interim response received from the Chief Executive and Head of the Public Service is welcomed, particularly as all of the recommendations made by the C&AG are accepted in principle.

The Committee notes from the interim response that a formal project will be established (Public Sector Reporting and Audit) with a designated Senior Responsible Officer, to review the approach and develop the programme activity required to progress matters raised in the report.

The Committee welcomes this approach and intends to monitor its progress going forward.

The Committee looks forward to receiving the Government’s full response in due course which will include target dates to implement the accepted recommendations.

Deputy I. Gardiner Chair, Public Accounts Committee

Office of the Chief Executive

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Deputy Inna Gardner
Chair of the Public Accounts Committee
By Email

23rd February 2021

Dear Deputy Gardiner

Re: Response to the C&AG Public Audit in Jersey: A Thinkpiece

Thank you for your email of 19 January requesting our comments on the Controller and Auditor General's (C&AG) paper 'Public Audit in Jersey'. Notwithstanding that you requested a response in the usual grid format as this is a 'Thinkpiece' the breadth of areas for consideration are substantial and reach beyond the government. We, therefore, consider our response, at this stage, requires more thought and a different and more strategic approach to the formal response process that is normally undertaken to reviews carried out by the C&AG.

Notwithstanding this, the Treasurer and I welcome the Thinkpiece, which builds on the C&AG's previous report on Annual Reporting dated August 2020; and the responses the C&AG has had to her consultation carried out in May 2020, on the Jersey Audit Office's revised Code of Audit Practice.

As a principle we accept all the recommendations outlined in the paper. However, to deliver the full scope of the recommendations and "areas for consideration" is a substantial piece of work. It will also require careful planning and assessment of the feasibility of delivery across the organisation, given there are wide-ranging dependencies which are not necessarily all in the Government's immediate control.

We therefore propose to establish a formal project (Public Sector Reporting and Audit), with a designated Senior Responsible Officer, to review the approach and develop the programme activity required to progress these matters.

There will be three broad integrated work streams as part of the project as set out below, for which we have highlighted the level of activity required for each. We have also provided an indication of where these link to "areas for consideration". We have not done the same for the 10 recommendations, as it is not clear what the best solution is to achieve the objective we are looking for at this time. For example, Recommendation 1 reads: "*Establish a consistent framework for the production of annual reports and accounts for States established and States controlled entities.*" Until consultation with the relevant bodies and discussions with the Legislative Drafting Office have taken place, it is difficult to determine whether such a framework should be defined within:

- The Public Finances Law; and/or
- The Public Finances Manual; and/or

- The Companies (Jersey) Law; and/or
- Memoranda of Understanding or Funding Agreements with the entities; and/or
- Other legislation.

This highlights the need for a more concerted, consistent, and co-ordinated approach involving relevant individuals and bodies, rather than assigning recommendations to individual officers in different departments.

Turning to the proposed three work streams, these would include:

1. Changes to the Public Finances Law and Manual.

- Agree draft definitions for States established and States controlled entities.
- Discuss proposals at ALBOB.
- Consult with affected bodies.
- Agree law drafting instructions with the legislative Drafting Office – both for the Public Finances Law and any other Laws that may need amendment.
- Lodge Law amendments (potentially by Regulation) and consideration by the States Assembly.

This will address the C&AG's "area for consideration" A1-*Establish a consistent definition in legislation of States established and States controlled entities and place a duty on the Minister for Treasury and Resources to specify by Order the entities that meet the definition* .

It is proposed to create a consistent and common definition in legislation of States established and States controlled entities, potentially (but to be considered) through an enabling provision in the Public Finances Law and a list of bodies meeting the definitions specified by order of the Minister for Treasury and Resources.

2. Changes to the C&AG Law

- Discuss proposed changes with C&AG, Chief Minister and SPPP (who have responsibility for bringing forward the legislation).
- Discuss proposals at ALBOB.
- Consult with affected bodies.
- Agree law drafting instructions with the Legislative Drafting Office.
- Lodge Law amendments and consideration by the States Assembly.

This workstream will address the following areas for consideration:

A2 - Consult with relevant stakeholders on amending legislation to give the C&AG the power to appoint auditors to States controlled companies who exercise functions of a public nature or are substantially funded from public money.

A4 - For entities established or controlled by the States with expenditure not exceeding a defined threshold based on expenditure per year, introduce a requirement for an independent examination to be undertaken in accordance with Directions made by the C&AG. This will replace the requirement for an external audit where such a requirement currently exists.

A5 - Where applicable, give power to the C&AG to appoint independent examiners to States established and States controlled entities with expenditure not exceeding a defined threshold per year.

A6 - For entities established or controlled by the States with expenditure in excess of a defined threshold per year, introduce the requirement for an audit by an auditor appointed by the C&AG once a requirement for the production of financial statements has been introduced.

3. **Amendments to other legislation** (to include Jersey Dental Scheme and Statistics Jersey but likely to be many consequential amendments needed)

- Discuss proposed changes with lead department(s).
- Consult with affected bodies.
- Agree law drafting instructions with the Legislative Drafting Office.
- Lodge Law amendments and consideration by the States Assembly.

This workstream has been identified as the most complex as it will not only address the following area for consideration but will also require consequential amendments as a result of actions within the other work streams:

A3 Consider whether to introduce a requirement for all States established and States controlled entities to produce standalone financial statements prepared under a suitable accounting framework, such as FRS102.

As outlined above, there are common activities across all the work streams which necessitate a co-ordinated project approach.

Clearly, there is a need to keep the Public Accounts Committee updated on progress throughout the duration of the project. To this end, we undertake to advise the Committee when the project has been formally established; followed by a six-monthly update report outlining where it appears any of the recommendations may not be able to be implemented.

We will also undertake to consult the Committee prior to lodging any draft legislation, including Regulations.

I hope the above is a helpful way forward in progressing the Thinkpiece paper.

Yours sincerely

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