

STATES OF JERSEY

Public Accounts Committee

Hearing

MONDAY, 14th JULY 2008

Panel:

Deputy S.C. Ferguson of St. Brelade (Chairman)

Deputy J.G. Reed of St. Ouen

Deputy A. Breckon of St. Saviour

Connétable D.J. Murphy of Grouville

Senator L. Norman

Advocate A. Ohlsson

Mr. R. Bignell

Witness:

Mr. R. Bell

Deputy S.C. Ferguson of St. Brelade (Chairman):

Do you know everybody or have you forgotten? Shall we run round? Sorry, Richard Bell and Kate, who is doing work shadowing. You have survived this long? **[Laughter]**

Mr. R. Bell:

I said in an email my Finance Director got married on Friday just to avoid coming here. **[Laughter]** So Kate said she would jump in.

Deputy S.C. Ferguson:

All right. So, if we just whiz round.

Mr. R. Bignell:

Roger Bignell, I am an independent member.

Deputy J.G. Reed of St. Ouen:

Deputy James Reed.

Advocate A. Ohlsson:

Alex Ohlsson, independent member.

Deputy S.C. Ferguson:

Sarah Ferguson.

Deputy A. Breckon of St. Saviour:

Alan Breckon, Member of the States.

Senator L. Norman:

Len Norman, and our paths have crossed before.

Connétable D.J. Murphy of Grouville:

Dan Murphy.

Deputy S.C. Ferguson:

Super. Yes, what have been your main challenges this year?

Mr. R. Bell:

2007 or 2008?

Deputy S.C. Ferguson:

Oh, the past year, okay, 2007, the period for which the accounts are sort of around?

Mr. R. Bell:

It is the same answer. **[Laughter]** Income Support has been probably the single biggest challenge since I have been in office, if not the overwhelming challenge since I have been in office. A huge task.

Deputy S.C. Ferguson:

Roger, sorry?

Mr. R. Bignell:

There was also difficulties with the supplementation in 2007.

Mr. R. Bell:

Yes.

Mr. R. Bignell:

Do you have any explanation why there was the increase and have you got any ideas of improving it for the future?

Mr. R. Bell:

There are ... the issue with supplementation is in the years 2005-2006, depending upon your viewpoint, there was no increase in supplementation despite a large increase in contributions between 2004 and 2005. That led the department at the time to believe that supplementation was coming down and, therefore, as it happened under-estimated the cost for 2006. The cost for 2006 went up significantly over what was in 2005, but not as much had you drawn a straight line between 2004 and 2006. So the increase ... rather, the biggest problem seemed to be, although it is not a problem when you do not have the money, is 2005. We have not been able to get to the bottom of why it did not increase. 2007 over 2006 is only a 4 per cent rise, but we needed extra money because at the time ... sorry, at the time of putting together the 2007 budget the only full year you would have had would have been 2005 and part of 2006. So it was under-budgeted on the basis of the low cost in 2005. The problem with 2007 is not the increase above 2006, it is the under-budgeting in the long lead-in time to agreeing the business plan. In terms of improvements, those I guess come in 3 forms. One is knowing with certainty what the cost is to be, and what we had hoped to do is put through changes to the Social Security legislation and that would also need changes in the Finances Law to fix the cost for a 3-year period so we do not have all this uncertainty over the cost and spending quite a lot of resources going backwards and forwards trying to explain it to have certainty over a 3-year business cycle. We want to discuss with ... we are going through our actuarial review at the moment and we want to discuss with them ways of doing that and also with ... I have spoken to Chris Swinson, or he has spoken to me as well, about how we can change

the Social Security Law or Public Finances Law to make sure that we can do that in a way that does not mean you then accrue for any under-accounting. So that is on the one hand. The other hand is relating to whether there are any steps we could take to increase the yield from contributions such that it is not funded out of supplementation by looking at any so-called loopholes that exist. There are not a great deal of loopholes that we can identify; there are certain issues around equity, however. But we are looking in certain areas, the issue is costing what those areas will bring in when we do not know how much we are missing. I am not talking about evasion here, really avoidance issues in the existing system. The other one is ... well, the other issue people could say that they have with supplementation is its quantum. That is when we get into pretty much a political debate. If you reduce the quantum of supplementation - and I am talking about big changes to the cost of supplementation - in simple terms that means either somebody else has got to pay or the benefit and pension is cut. I do not think - that is for politicians - anyone is really up for pensions being cut and it would be somewhat potentially short-sighted given the issues we have with ageing population. So then we come down to do ... looking at options rather like they have done in Guernsey where they have now transferred the burden on to the employee and the employer rather than the general taxpayer of future pensions by reducing their equivalent of supplementation. That then enters into wider debate: do we want to transfer the burden to the employee or the employer rather like Guernsey and increase the individual's tax take, leave it as it is, or move to some halfway house?

The Deputy of St. Ouen:

Last year when you came and visited the Public Accounts Committee, you spoke about this problem with forecasting and identifying the amounts required for supplementation and you spoke about the need to revise the forecasting tool. You said that that was a work in progress and you were up and running and that the aim was to better identify what was required. I acknowledge there is something that needs to be done to deal with it, but it was how to identify what is necessary. How far have you got with that process?

Mr. R. Bell:

We have a number of different ways in which we look at supplementation. What is still missing ... the biggest problem we still have is that it is so far ... when we set the budget, it is so far in advance of the year that you experience the supplementation cost in and it has so many variables that you can only look at a range of the cost of supplementation, you cannot get close to a ... even in this ... we have about 4 or 5 different ways of forecasting it, you just cannot get close to it because I cannot anticipate how many more people are going to be in the economy. When I am setting a budget ... well, the budget has now been finalised for next year. At the point at which we were feeding figures into that, we did not have the first quarter for this year to tell us what next year was going to be. We do not have the increase by which the cap is going to increase, because that increases by the average earnings. We do not have that for this year, never mind what the experience is going to be for next year. So I come back to the only way that we can get any certainty to this is to change the way in which it is charged, which is to change the law that says how it accumulates. Because the only way to get certainty into it ... because without a crystal ball you do not know at the time we have to submit the budget what the cap is going to go up by, and when I say the cap it is the same as we increase the benefits by, so we increase the benefits on 1st October by average earnings as at 30th June. We do not know that until some point in August I think it is. But then it is the experience of the difference between ... so what we do with that is we then increase the contribution ceiling by the same amount, then there is also that 2 of the variables would be how much actual earnings increased either above or beyond that, above or below that, and then how many more people come into the economy, but if they are earning more than roughly £40,000 it does not make any difference to supplementation; it is how many people come into the economy who are earning less than that. And again, if you do know that, you know it very late in the day and the best place to come is the Social Security statistics.

The Deputy of St. Ouen:

If you are going to change the basis for supplementation, when are we liable to see that happen?

Mr. R. Bell:

We are working towards options to do that this autumn so then it will come down to when it could be debated in the States.

The Deputy of St. Ouen:

So you are pretty far along the path?

Mr. R. Bell:

Yes, in terms of thinking about that ... having looked at the ways of forecasting, you just cannot build any certainty into it because of these variable ... all 3 variables you just do not know what they are at the point at which you are asked to make an estimate of what the costs will be. The only certainty given you is it will not be the figure that is in the business plan, which I am sure you hear quite often, but it is certainly the case with that. I think going forward in terms of giving certainty, it has to be about coming up with a method that sets the amount for a 3 year period and then you get the actuarial honours tri-annual review to revisit direct.

Deputy S.C. Ferguson:

Do you think it was perhaps exaggerated when I.T.I.S. (Income Tax Instalment Scheme) came in or it crystallised a lot of the lower paid people who were getting cash?

Mr. R. Bell:

The timing of it did not seem to be quite right, but it may have driven some out. But the timing did not seem to be quite one you would have expected and it still did not say why 2005 was so low because again the increase was a lot less steep between 2004 and 2006 on average and the jump between 2005 and 2006 because that was low. So there is a great deal of evidence to say it happened without doing and showing income tax did.

Advocate A. Ohlsson:

Coming back to income support which was really how well the departments met the challenges posed by income support?

Mr. R. Bell:

How did we meet the challenges?

Advocate A. Ohlsson:

How well have you met the challenges?

Mr. R. Bell:

How well have we met the challenges? If I could have said a year before income support set goals, we did as well as I could have hoped we would have done given the timescales, the scale of the change and in particular the fact that unlike if you take for example G.S.T. (Goods and Services Tax), which is something brand new that did not replace anything else, you could have a team of people who were going to do G.S.T. once you had introduced G.S.T. Within income support we had 14 different benefit streams being administered right up until the day income support took over and the same staff, with the staff that had to take over income support, as did administer the old benefits. So, that was quite a significant challenge. We obviously had those nightmares the month before thinking well, they did not know about Terminal 5 at the time although that is the sort of level of issues that we could have had and in the end it went extremely well. That is in terms of operationally. We have had issues since then

going into 2008 and I suppose 2007. A lot of 2007 was about taking it through the political process and doing modelling there. That modelling could only really be fed by the forms that we sent out because while we were doing it, it proved that the hypothetical models we had been developing before were nowhere near what the actual figures were, leaving us to set the rates up. So, its biggest challenge operationally has been bringing 2 different benefit streams; so, getting ready for one benefit stream while administering another one. The challenge since then is, in actual fact, if you take income support and you compare it to the aggregate of the 14 benefits, it is very simple. But if you take income support and compare it to any one of those benefits, it is quite complex. Quite complex in the fact that it reaches out and addresses all of those needs as opposed to if you are thinking about it from an administration point you are only dealing with one of those needs when you were dealing with the legacy benefits.

The Connétable of Grouville:

Can I just come in here? Deputy Southern asked your Minister a question this morning at the presentation of the accounts as to the comparing like for like with your 14 benefits the day that they finished; what was the liability compared to the day that income support started and I think the point he is trying to make is that we are paying out less in benefits now than we are before. I mean, would that be correct?

Mr. R. Bell:

In terms of what we are budgeting, no, but in terms of actual, yes.

The Connétable of Grouville:

Sorry, we are paying out less or more?

Mr. R. Bell:

We are paying out slightly less now than we were before because we have had to make provision for growth in certain areas. There was a whole raft of different eligibility for all the different benefits, so to get a housing rebate for abatement you had to have 12 years. To get Parish welfare, as you know, down to the 5 years. So, we have come down to 5 years. So, for certain areas where we have come down to that low point we have had to make provision for new people coming in. That provision obviously has to be made for the end state as opposed to day one, so there has been slow uptake. So, we are spending slightly less at this point in terms of that provision, if that makes sense. Does that make sense?

The Connétable of Grouville:

Yes, let me just think it through.

Mr. R. Bell:

Well, you will have people who previously did not get the benefits because they were not entitled to the individual ones. Now, they have a collective benefit to a collection of needs which means that we have got an increased number of people to take that up.

The Connétable of Grouville:

Okay, so we are swings and roundabouts there?

Mr. R. Bell:

Yes, that would be a good way to put it.

Deputy A. Breckon:

Can I ask you a general question on supplementation and the actual budgetary process? How far would you say you have tested the Public Finance Law in funding it, in spending money you did not have?

Mr. R. Bell:

In 2007 I do not think we did. It would have been an interesting situation for the States not to have awarded that extra money in terms of what would have been my options as an accounting officer. My feeling is, and it is recognised by the Treasury, that my responsibilities as an accounting officer do not sit with the realities of administering benefits budgets. Benefits budgets are enshrined in law. They are individual entitlement. I do not have the right to close the door on 28th October because there is no more money in the pot for the income support or supplementation for that matter. Which then means I am in a curious position of which law gets broken; is it Public Finances Law or the Social Security Law? I would put it to you that it would probably be the Public Finance Law that would have to go by the wayside because otherwise people would be in a state where they have not got money if you take income support, for example. But it would not be acceptable for me to be breaking the Public Finance Law so it is recognised that we need to chase Public Finance Law somehow to give that flexibility and it is still incumbent upon me to come up with the forecasts, but to give the flexibility so that when it goes overspent there is some sort of automatic award, but equally so when it goes under-spent we do not get to take that money and use it on something that it is not intended for.

Deputy A. Breckon:

Can I just remind you then of Article 38(2)(a) where it says that: "Except as otherwise provided by Article 15 the expenditure of the body does not exceed the amount appropriated by its head of expenditure and is used for the purpose for which it was appropriated." How would that in your interpretation apply to what happened with supplementation?

Mr. R. Bell:

Sorry, you are going to have to explain to me what you are asking.

Deputy A. Breckon:

Well, did you spend money you did not have?

Mr. R. Bell:

No.

Deputy A. Breckon:

You did not?

Mr. R. Bell:

No.

Deputy A. Breckon:

So, where did the money come from?

Mr. R. Bell:

It came from a supplementary vote by the States.

Deputy A. Breckon:

Retrospectively?

Mr. R. Bell:

No.

Deputy A. Breckon:

Are you sure about that?

Mr. R. Bell:

I have got the date to it: "In accordance with 11(a) of the Public Finances (Jersey) Law to amend the expenditure of approval for 2007 approved by the States on 13th September 2006." It was approved by the States.

Deputy A. Breckon:

For 2007?

Mr. R. Bell:

2007, yes.

Deputy A. Breckon:

In 2006?

Mr. R. Bell:

But it was not agreed in 2006; it was agreed in 2007.

Deputy A. Breckon:

For 2006?

Mr. R. Bell:

For 2007. We are doing 2007 now, are we not?

Deputy A. Breckon:

Yes. I am not sure what you are telling me there.

Mr. R. Bell:

States decided to give us more money.

Deputy A. Breckon:

For what period?

Mr. R. Bell:

It is a 2007 supplementation.

Deputy A. Breckon:

Yes, and it was not retrospectively?

Mr. R. Bell:

No.

Deputy A. Breckon:

Okay.

The Deputy of St. Ouen:

If we can move on to the external auditors report that was carried out on your department? In that report it raised a number of concerns including: "The difficulty of obtaining adequate support and documentation for payroll payments; the absence of a clearly defined cash management policy; the need to complete the business continuity plan and a lack of monitoring of the external organisation which deals with the contributions income." What steps are you and the department taking to deal with these

concerns?

Mr. R. Bell:

Right. Can we do one at a time; the first was?

The Deputy of St. Ouen:

The first one is: "The difficulty of obtaining adequate supporting documentation for payroll payments."

Mr. R. Bell:

Payroll payments, that coincided with a change in the H.R. (human resources) system. Well, back towards the end of 2007 we introduced a new reconciliation process that happens monthly that reconciles it together now.

Deputy S.C. Ferguson:

So, you can be sure that you are not paying people who do not exist or vice versa?

Mr. R. Bell:

A monthly reconciliation.

The Deputy of St. Ouen:

The second one was: "The absence of a clearly defined cash management policy."

Mr. R. Bell:

Cash flow management is something that I tried to introduce to a level in recent times. The department is quite cash rich because of the level of contributions that comes into it and it sits on money from the social security fund. What we tried to do is introduce a system whereby we sweep out over a certain level into the social security reserve fund for investment purposes. So, it would have been last year, 2007 we did sweep a lot of money back in, but it started to grow again and we swept money back out into the social security reserve fund in recent times. But, in fact, I accept that it needs a bit more rigour in terms of when we do sweep out. Having said that, the returns on that money we have had in the social security fund that were captured were doing pretty well at a time when social security reserve fund has since started to suffer upon the effects of the stock market.

The Deputy of St. Ouen:

Is it not true though that these issues have been raised in previous audit reports?

Mr. R. Bell:

I think that is true to say that one has been. It has not been high on the list. That had previously been something that I took up in the department when I arrived to question why we were running such high balances within the social security fund, which is the way that we manage our budgets generally because we have got 3 different pots of money so we use the social security fund monies and then reattribute afterwards expenditure across. We are running too high a balance on the social security fund that should be swept out into the social security reserve fund. In the meantime, it has been doing pretty well compared to social security reserve fund returns.

The Deputy of St. Ouen:

So, you are confident that we will not see these issues reappearing in next year's external auditors report?

Mr. R. Bell:

I am reasonably confident, yes.

The Deputy of St. Ouen:

Why? What have you done to make sure? I mean, not personally, but equally in regards to the general management of your department?

Mr. R. Bell:

We went through a period of time without a finance director. We now have a finance director; he was not from the Island and he has now got up to speed. During 2007 certain things that you would like to see happen lapsed as a result of everyone getting themselves behind the introduction of income support and some other things are matters that lapsed. As income support beds down we will be back to a steady steer and things like this will be things that have my attention and have my senior management team's attention on a more regular basis.

The Deputy of St. Ouen:

Have you any concerns that if you are inheriting 14 benefits and recreating the income support scheme that you have introduced quite a number of high risks or additional risks into your financial control system and how you plan on dealing with them?

Mr. R. Bell:

We have been running things since the beginning of income support, a number of workshops and risk workshops to identify how our risk profile has changed since the introduction of income support. In certain ways we know a lot more now than we ever did when separate departments were administering separate benefits and you never got to see the complete picture. You do now get to see the complete picture and there have been instances where seeing the complete picture has, shall we say, changed the benefit entitlement and award of some people. So, we now know more than we did which helps us in terms of helping individuals, but also helps us control expenditure in a way we previously did not. But it also starts to open us up to the combination of risks that arise in the individual system. So, we are now having to get to grips with risks that have been with the Housing Department for a long time such as cohabitation, et cetera, and rewriting our risk manual to take account of those issues of risk. So, we have been running risk workshops involving the teams who were on the ground administering the benefits to look at what they think we need to do as well and those workshops will result in a new risk strategy for the department.

The Deputy of St. Ouen:

Is there anything you can do with regard to your I.T. (information technology) systems to help identify possible areas of concern?

Mr. R. Bell:

There will be things we can do that cross-match in different parts of different data from different activities we have and there are also controls we have in place which are duplicate payments and large payment reviews as it is. We can look to see if contributions have been paid for someone who claims they have not.

The Deputy of St. Ouen:

Are you talking about manual procedure rather than --

Mr. R. Bell:

Well, some of it to a degree, yes.

Deputy A. Breckon:

Are there any plans to work with say income tax on sharing your information?

Mr. R. Bell:

Well, we already work with income tax on a number of levels in any case because you are probably aware when we used to run family allowance there had to be certain declarations. If we go back to contributions there are some certain declarations that have to be there in order for you to get a reduced payment of contributions. We will also be looking at if you take someone who is self-employed and claiming income support, we will also be looking at their tax returns and we will see what they are earning as well. In the recent review the Comptroller and Auditor General talks about efficiencies we can have but that is largely in collection, and in recent times we have been looking to see if we can increase the number of organisations who have used the I.T.I.S. disk, but do not use the functionality within that disk to combine the 2 sets of schedules, both to us and them, and we will look at what the difference is between those who use ours and those who use the I.T.I.S., write to them and get the data together.

Deputy A. Breckon:

So, you have some support, but you are looking really to move that on, I suppose?

Mr. R. Bell:

Yes, we would rather see much more use of a single means of communicating with the State.

Deputy A. Breckon:

Is that a problem for you with the confidentiality issue or do you think you can get around that?

Mr. R. Bell:

No, the mechanisms, for want of a better word, that were on the disk means that income tax cannot look at the data that is meant for us. Only we can see that.

The Deputy of St. Ouen:

I just wanted to follow on from the risk involved, perpetuated by external parties that we have just touched on now. Do you presently have a dedicated team of individuals to monitor, investigate, identify?

Mr. R. Bell:

We have a Compliance Division.

The Deputy of St. Ouen:

Sorry?

Mr. R. Bell:

We have a Compliance and Governance Division which consists of advisers to individuals and people, but also to investigate fraud as well.

The Deputy of St. Ouen:

How many are in that team?

Mr. R. Bell:

In the order of between 8 and 10, off the top of my head.

The Deputy of St. Ouen:

How do you monitor their performance? I mean, presumably you look at the cost of managing that team or paying for that team and look at what returns they provide and identify during the year?

Mr. R. Bell:

The biggest return with teams such as that can produce is the amount of prevention that having such a team, and the business community generally know we have it, they also will know from us taking - on this benefit side - is taking people to court for benefit fraud. So, it is what you do not know about the detection of fraud that is the true value of the team.

The Deputy of St. Ouen:

I am surprised with your explanation that the external auditors have still felt it necessary to raise this issue of risk. Why do you think that is?

Mr. R. Bell:

Yes, partly because of the changing nature of the risk that we are about to see. So, when they wrote that, that is 2007 moving to 2008 we did not have the income support risks at that point that we have now. Secondly is that, as a result of income support, resources throughout the department were diverted towards the implementation of income support which meant that all activities, including compliance, during 2007 were reduced and I know the auditors had a view on that, and if I was an auditor I would have a view on that. The other one is offshore risk that they have a particular concern in respect of. Managing risk and fraud within the Island is a lot easier than, say, managing the same types of risk than say in the U.K. because we are a small community and we know much more, and it is all located within the Social Security Department. We also get a great deal of information out of sources such as *J.E.P.* (*Jersey Evening Post*). You read articles in the *J.E.P.* It talks about Fred who is a white van-driver; the compliance team go and look that individual up on the system to see what his benefit or contribution situation is and if he is on a sickness benefit because he cannot afford to work, yet he has got a picture of himself outside his white van talking about something, then that leads one to suspect there is something not quite right. We also get to be able to quickly look at family situations, deaths, et cetera. You do not get that level of detail or that level of information when you are talking about overseas benefits, and the majority of that is pension as opposed to sickness benefit.

The Deputy of St. Ouen:

So, how do you, as accounting officer, ensure that that compliance team is performing and doing its job?

Mr. R. Bell:

The compliance team is currently sending out what we call life certificates. Life certificates we send to the individual and they have to go to a narrow group of people, notaries, vicars, that sort of thing, to confirm and write back to us that they are still alive. We are also looking at using an agency in the U.K. to follow that work up.

The Deputy of St. Ouen:

Can you identify savings for over a period of a year?

Mr. R. Bell:

I will be when that exercise is finished. That has not been done for that.

The Deputy of St. Ouen:

So, presently no report exists to identify how effective the compliance team have been?

Mr. R. Bell:

We have a list - and I have not got it with me - that tells me how much is currently being collected by instalments from people's existing benefit. There will be a list somewhere that says how many cases were taken to the States for fraud and from those you can draw conclusions, yes. So, I have that.

Deputy A. Breckon:

Can you measure any movement there if it was a high profile case, for example? Is there a spike somewhere where somebody says: "Hang on, there is a preventative measure here. I had better not claim something." Is there anything that shows that?

Mr. R. Bell:

We have not seemed to have had that much in the way of high profile that might achieve that.

Deputy A. Breckon:

I think that might have been in the past with maybe a housing benefit or something like that.

Mr. R. Bell:

Well, yes, there probably was in the past with housing benefit. Certainly, the more pressure you get the more we will benefit. It is difficult to measure how much more you would benefit.

Deputy A. Breckon:

I am just wondering if income support would pick that up as well when you have got the spread of benefits. It might not have the same spike because if it was housing benefit then there may be a spike, but if it is income support, maybe not.

Mr. R. Bell:

Well, we will be able to see when we have got income support. The other thing is if you were committing a housing benefit fraud that does not necessarily mean you would be either committing or, if you were, get picked up for any of the other departments. But this means you will get picked up for it all, you know, where you would not previously.

Deputy S.C. Ferguson:

All right, now the department appears, certainly from the external auditors note, it relies upon testing performed by the external auditors for assurance on the accuracy of benefits payment processes by NESSIE. Is that really appropriate?

Mr. R. Bell:

Clearly a use of language; that is, to them, how they view it. I, like any other organisation, will gain some confidence and some benefit from having an external audit; probably the purposes to having an external audit largely. So, I get comfort from the external audit. I also get some comfort from discussing issues. I rather like to do this so it tests out things and does not leave you just with yourself thinking things through. So, I do not have a problem with clearly getting some comfort from having done an external audit. They wish to do it on a one-by-one basis. It is their audit methodology that they do it that way. That is for them to decide.

Deputy S.C. Ferguson:

Yes, but the whole point seemed to be that the only check - according to their report - performed annually to ensure that NESSIE is calculating benefits reliably what sort of -- do you have tests within the department?

Mr. R. Bell:

For example, during the year 2007, we did some tests on supplementation to make sure that has been calculated appropriately, so we do tests around the system to make sure it happening because I said -- on supplementation. Back to 2005, has it been calculated properly because the timing was very close to the change in the system so I wanted to double check. The team went away and did some checking so we

do checking ourselves within the system as well as as ...

Deputy S.C. Ferguson:

Can you be sure thought that the benefits are all ... you do not do any spot checks on benefits to make sure that they are being calculated correctly?

Mr. R. Bell:

No, we do more from a global position to say last year's are spent on this particular benefit or X. How many more people are claiming this benefit. Is it Y? And what has been the operating from that benefit, so certainly at my level is does that figure makes sense in the accounts? The big problem I have with figures is the supplementation figure going back in. So, from a global perspective, I am satisfied the figures have a resonance with previous years and where they do not, then I want to find a reason. If I cannot find a reason, I will then say: "If we cannot give a reason for this variance, I therefore want us to go down to the step of testing it." So supplementation unit, your point in case is, is this variance why some of these reasons do not seem to fit. Go back test it again, go back test it again, yes, it is right. Bring it all the way back through it.

Deputy S.C. Ferguson:

Well, am I getting this wrong? I thought NESSIE calculated benefit.

Mr. R. Bell:

Yes.

Deputy S.C. Ferguson:

You keep going back to supplementation.

Mr. R. Bell:

They calculate supplementation as well.

Deputy S.C. Ferguson:

Yes, but do you do any testing of benefit calculations?

Mr. R. Bell:

No, because -- well, I use the same process. If a benefit --

Deputy S.C. Ferguson:

So you are doing it from a global analytical down?

Mr. R. Bell:

Yes.

Deputy S.C. Ferguson:

Thank you, I am with you. Len?

Senator L. Norman:

Well, I think James has successfully covered the area of the payroll. James spoke about that and the controls that you now have.

Mr. R. Bell:

Yes.

Senator L. Norman:

Because PwC commented on that and you are quite happy now that every bit of salary that is paid from your department is for a bona fide employee?

Mr. R. Bell:

I am happy that I have controls in place that when that is not the case it will be identified.

Senator L. Norman:

Yes, you did not have that before?

Mr. R. Bell:

We went back and checked to make sure it was right and it was checked. What broke down during the year was that we had moved to a different system. That system started generating figures we were not aware of, that did not look to be what we were paying out. It turned out what we were paying out was right.

Senator L. Norman:

Yes, I think I understand that, thank you.

Advocate A. Ohlsson:

The same issue, really, PwC raised concerns about the extent to which you have formal procedures for monitoring controls. Presumably, you are seeking to resolve that as well?

Mr. R. Bell:

Yes.

Deputy S.C. Ferguson:

How far have you got?

Mr. R. Bell:

I have given instruction that June's figures for the figures we have just got, will be signed off by every director who sits and manages the project to give an explanation as to why their figures are the figures that they are and we collectively, as a senior management team, have been aware that previously it has not really happened. It has been left to -- well, I and the Finance Director have sat down and looked at the figures globally to say whether they are right, and it has now moved to make sure that all of the senior management team manages. Herein is the difference between us and another department. My senior directors can manage the expenditure to which they have responsibility over to which ... to the extent that they can so they can -- if their staff project goes over 10 per cent, I can say: "Why has it gone over 10 per cent?" and they will say X, Y and Z, because it is within their control to do so. Sometimes with benefit, they get that bit further from what is happening globally because they are so close to administering it on a one to one basis, so I have said: "2 different splits here. One is administration cost, which you are responsible for administering and keeping within a budget. The other is you are responsible for administering and make sure we are paying the right amount of money for the right people" but globally we all come together with statistics. Sometimes it is outside the department to say why is this over-expenditure coming up, so that is the framework coming in for the June figures.

Advocate A. Ohlsson:

Do you have systems for exception reporting on claims?

Mr. R. Bell:

Yes.

Deputy S.C. Ferguson:

But there was something said in the audit letter that it was not always easy to get the management information out of the various computer systems.

Mr. R. Bell:

The various computer systems? There are 2.

Deputy S.C. Ferguson:

Or the computer system.

Mr. R. Bell:

There was an issue there I thought we got over which said that if you ran the report for 30th June or 31st August, you would not get the figures that were for 30th June, because it will take into account anything that related to 30th June that happened since. I thought we had bottomed that one out but it appears not and ...

Deputy S.C. Ferguson:

So when do you reckon you are going to bottom it out?

Mr. R. Bell:

Well, that should be the case for this June set of figures.

Deputy S.C. Ferguson:

Right, sorry, yes.

Mr. R. Bell:

What they are also referring to is they do not see or they have not been able to see a great deal of evidence to say that signs off that information with the reasons given, so I always say it has happened; I know, because I have sat down with the quarterly accounts myself and gone back line by line. What I have not done at the end of that is something I should do is then sign it off, so there is a monitoring control that is evidence.

Advocate A. Ohlsson:

I think you were given a rough time by Peter Bisson's report. You are someone who has experienced many audits and performed audits. Do you think it is unfairly critical?

Mr. R. Bell:

I think that the increase in risks that came with us making such big changes was something that perhaps the auditors were less comfortable with than those who just had to get on with it, so I do not really feel that we had too bad a time of it. It is certainly not the experience in any meetings I had. The board, since NESSIE's been in place, wanted to take away and do one by one testing as opposed to all the controls and I have a feeling that even once we brought in more controls, they will still want to do that to a degree. It could be a speculation when we get to signing the States accounts. They will want to see levels of comfort that they do not get in the U.K., I believe. I do not think they get a true and fair opinion in the U.K. on the back of benefit payments for potential fraud, so that would be an area that they are trying to concentrate towards our other areas so ... touch wood; but we are due to get a true and fair audit opinion, as I understand it for the first time, on the social security accounts. Now, that excludes the accounts that are in the States accounts but it is for pensions which includes the sickness benefit and health insurance fund and the social security reserve fund so that is ahead of the rest of the States becoming G.A.A.P. compliant or true and fair. It is not so much the G.A.A.P. as the 2 levels and

one is the G.A.A.P. that you can see it following, but then to give sufficient proof there is someone to be signing off a true and fair audit opinion I would suggest is probably concentrating the mind somewhat more for auditors than has ever been the case in the past but that is a question for them.

The Connétable of Grouville:

Can I come in here; I know I am jumping one, but in talking about the G.A.A.P., are you confident that you have enough expertise in the department to handle G.A.A.P. accounts?

Mr. R. Bell:

It has been an issue this year in terms of changes that wanted to be made to the reserve fund. I feel between myself and previous experience, the Finance Director and, I have to say, services that we would have to buy in because G.A.A.P. is a once in a year thing for an organisation such as those intended disclosures as opposed to accounting treatment. Accounting treatment, yes, but disclosures are ever-changing and sometimes need a bit service provision which we hope we will be able to accommodate.

The Connétable of Grouville:

So you are happy you can cope with it by buying in expertise then?

Mr. R. Bell:

Buying in expertise relates more often than not to changing disclosures as opposed to having a G.A.A.P. The biggest challenge some of the departments will have is in relating to keeping on top of fixed assets. We do not really have such a problem.

Deputy S.C. Ferguson:

It is a bit harder to move a building.

The Deputy of St. Ouen:

Just following on from that, just so that I get it clear, regarding the further requirement for a necessary skill. You say you brought in help recently to help with the U.K. G.A.A.P., and your idea presumably is to have staff that are able to fully understand and manage it.

Mr. R. Bell:

Yes.

The Deputy of St. Ouen:

How do you get to that point or are you close at that point?

Mr. R. Bell:

I would say I would rather have skills that are useful throughout the year as opposed to keeping an in-house capability for certain skills you need at the end of the year around disclosures required and ... the assistance we needed this year was in respect of certain financial reporting standards that related to investment management and the disclosures that were needed in the back of the reserve fund accounts. That person is not much use to me throughout the year until it comes to the year end. I would rather have resources brought in if we need it. I think we have got to a state whereby, unless there is significant change, we will have a template now for next year's accounts.

The Deputy of St. Ouen:

Are you confident that you are manager, your people, your staff, are going to have the necessary skills to provide the information that is necessary to be used to create those G.A.A.P. accounts?

Mr. R. Bell:

Yes.

The Deputy of St. Ouen:

All right.

Mr. R. Bell:

Yes, the issue we had this year related to the social security reserve fund. I am not the accounting officer for the social security reserve fund, and that is managed in the Treasury - which is a centre of excellence for the management of investments - so I relied on that for the investments in advising my Minister. It was just relating to financial disclosures relating to those investments which Ian could have done or I could have done. We chose to get it sorted so we could have a true and fair audit opinion so, yes, between us and the Treasury and the combined finance function, I think we have the capability.

The Connétable of Grouville:

Okay, so really what you are saying is basically that to hire in the G.A.A.P. expertise over a year would cost you more than hiring it in for one little bit at the end of the year, that is what we are saying, are we not? You do not need that expertise during the year?

Mr. R. Bell:

No, there are 2 ways of doing it and if it is not there already for the strategic reserve in the centre and they now have G.A.A.P., they are developing G.A.A.P. expertise that can then be rolled out to the States, so at this point in time those resources were tied up. We needed a bit of extra resources so we just got it and got it done.

The Deputy of St. Ouen:

The external auditors reported in their document that your department did not have formal procedures and policies for monitoring the department's key operating activities. How would you respond to that and what G.A.A.P.s or improvements would you like to see?

Mr. R. Bell:

Sorry, we do not have procedures and policies for operating the ...

The Deputy of St. Ouen:

"Including provision of perfect management information for monitoring the department's key operating activities."

Mr. R. Bell:

To my mind, management information is not as it should be in the department. Management information has been the thing which has been my bugbear since I started in the department; it is a programme within the year to bring about better management information. Some of it will exist, some of it does not exist at the moment, supplementation being the case in point. There is not the regularised reporting that I would like to see in place, and what we are putting in place now is like a not quite balanced scorecard but a report for each individual section that accumulates some information that relates to management of staff, some information that relates to management of finances, some information that relates to management of the numbers of clients they have which then gives us the information that tells us the number is right as opposed to me and the Finance Director sitting there and doing it ourselves at the end of the process. That is where we are wanting to get. That has required and is requiring development of our information systems. That development had to be put on hold while the resources we had were developed in the Income Support module. They are still doing some work on Income Support. Once we get out of that, management information is the top of the list. Develop the reports to come out of the system. When NESSIE was introduced, there were issues all the way back.

The module that was dropped was the very module that I would find most useful, which is the management reporting. So when they initially had problems years back with introducing the information systems in the department, the management module was the module that was deleted, so that is top of my list to introduce. We still have a certain level of information, not quite to the level I would like.

The Deputy of St. Ouen:

I know it is to be accepted that you have gone through a massive change with income support, we are not trying to minimise that, but do you see this year as a time of consolidation where you make sure that the income support is doing what is says on the tin, and secondly that the issues such as your procedures and policies to improve the management and function of your department are dealt with.

Mr. R. Bell:

It is somewhere between the 2. We are never able to stand still. We have significant development of the income support this year in the residential care rationalisation and I am not talking there about the long-term care insurance scheme. Residential care has been managed in slightly different ways by different Parishes and it is managed again differently through Health and Social Services. We have got to bring back into a rational way of administration so that is a big enough challenge. We have long-term sickness benefit review reforms to introduce. We have Employment Law again. We have a G.S.T. rebate scheme to introduce, should it be agreed, so I would love to have a year, if not just 6 months, to describe this consolidation but it is never the case and we have got -- we have not got as big a period of changes as we had with income support and we can do it in such a way whereby we can make sure we have the resources rather than what we were doing previously whereby we were running one set of benefits and at the same time getting ready for the next, but it does allow us the opportunity to prioritise management information, and some of the things that come out of the audit report will be achieved this year because income support locked everything out previously.

The Deputy of St. Ouen:

I hear what you saying. The tasks set by others for your department are, one could argue, perhaps almost unachievable in delivery.

Mr. R. Bell:

I think there is a great deal of tension between the aspirations of changing benefit structures and delivering new initiatives and getting on with the day-to-day work, particularly when your department is small in manpower as the Social Security Department is, yet given the fact it is the largest spending department. There is a great tension there and I am much more confident this year that we will see a lot more progress in terms of governance, for want of a better word, and the sorts of structures I would like to see in place as opposed to initiatives just blocking all of the developments out so, yes.

The Deputy of St. Ouen:

One last question is a general one on performance measurement. We have seen all sorts of different measurements stated and chosen and so on and so forth. Are you happy with the performance measurements as used currently by your department or do you have a view of changing some of them to make them more applicable?

Mr. R. Bell:

I think I gave a similar answer last year which was 2-pronged. One is about the performance of the department and the other is about the performance and effectiveness of the policies and the benefits. The effectiveness of the policies and benefits is something you can only look at over a longer period of time, so while we have made some changes to income support, the effects of income support will take a little bit longer to ascertain and you cannot do that over a short period of time. In terms of performance

of the department, that relates to the cost per pound of benefit would be one, another would be customer satisfaction which the last J.A.S.S. (Jersey Annual Social Survey) survey seemed to say that we were quite highly rated by our customers, so those are areas that we have a handle on. It would be interesting but I suspect given that you can somehow have frustration at the policy reflected in what people think or how well people think the department is doing. You may see a difference from a quite high standing in the last J.A.S.S. survey, and that would be something to come back to. So there are 2 different levels. One is the performance and efficiency of the department as per measuring that is pound per up, if you like, and the other one is customer satisfaction, which obviously is very important to us as a Customer Service Department - the majority of our staff are customer facing. So there are those 2 keys ones. Longer term is getting the information that historically we have not really had. Some of that relates to the introduction of one benefit stream but it is not just that. It is about collecting wider information. For example, you have half P.I.Y.(?) for those on the lowest quintiles of income at the moment. I would like to see that average earnings, the average earnings for lower quintiles, getting that information out. What we would like to do is to come up with a measure of relative poverty for the Island that has meaning, that is a mix of a financial indicator but also an indicator of material deprivation like they have in some other jurisdictions. So there are 2 different sets.

The Deputy of St. Ouen:

Now, with the income support scheme, you presumably are able to identify, for want of a better term, class helped or individuals helped and total individuals helped or supported financially over a period of a year.

Mr. R. Bell:

Yes, a turnover type figure, yes.

The Deputy of St. Ouen:

So would that be one of the measurements that you would like to see developed?

Mr. R. Bell:

Well, yes, it would be and in terms of seeing, from a management perspective as opposed to a global perspective, how well teams are doing is to say between teams, how many people have that team reviewed in a 6-month period or in the month, and that is the sort of information I was talking about in those reports. It has come from the individual sections. So those are figures that aid us on a management perspective in managing resources between teams. So say in winter months, you will have peaks of sickness benefit. In summer months, you may not have those same peaks so you can identify where you have your peaks and transfer staff into other busy areas. That is one way of doing it. The other is over time to manage individuals within teams to say: "Well, you as an individual in this team are doing 6 a day or whatever. Your colleagues are doing 10. What is it to improve your performance we need to do?"

Deputy S.C. Ferguson:

Yes, but is your performance -- you may be doing 10 but are those 10 from start to finish?

Mr. R. Bell:

Well, that is the sort of thing you then have to understand.

Deputy S.C. Ferguson:

Yes, I am talking deeming here.

Mr. R. Bell:

Deeming?

Deputy S.C. Ferguson:

Yes, Edward's deeming.

Mr. R. Bell:

Oh, right, yes.

Deputy S.C. Ferguson:

There has been quite a lot in the papers about those sort of principles in the public sector but anyway, I am sorry, I can discuss that with you afterwards. Alan, you had one last question.

Deputy A. Breckon:

Yes, one question, Richard. In relation to collection of contributions, we have a system where employers put in a return with no money and then 6 weeks later you send a bill. I remember in the good old bad old days, people used to put a return in with the cheque. Would you like to comment on perhaps the efficiency of that and why we cannot change it?

Mr. R. Bell:

I think the phrase would be swings and roundabouts. There is nothing to say we could not change although I would have to say changing the system so I get more management information is higher up on the list than that change.

Deputy A. Breckon:

There is a lot of money in it.

Mr. R. Bell:

There is a lot of money in terms of cash flow getting the money in earlier although there are increasing costs of administration in rebalancing, but there are ways and means around that in terms of pushing it out. When I talk around the department, because I have raised that very issue, some people are in favour of going back to the old way of doing things, some people are more in favour of leaving it as it is because some employers like the old system, some employers like the new system, so that would be one that we would hope to feed into more review work on social insurance scheme or maybe a better way of collecting.

Deputy A. Breckon:

Because it did seem to me inefficient because if I owe you 5 grand, do you want it now or do you want to wait 6 weeks. Is this a tough question?

Mr. R. Bell:

I was not around at the time that change was made to systems. I am sure there were very good reasons for it.

Deputy A. Breckon:

It generates something in, something out, and something back again.

Deputy S.C. Ferguson:

Right, thank you very much indeed, Richard, and thank you for being so patient. I hope it was not too dreadful an experience for you and if we think of anything else, we will contact you.

Mr. R. Bell:

I think over last year, on the other big pots of money that I administered, because this is the only form --

I am not sure which one it is, whether it is the one for the States-wide or the one for the department, there are not too many different issues in it but, yes, that will --

Deputy S.C. Ferguson:

Yes.

Mr. R. Bell:

We have not got round to getting together to discuss that.

Deputy S.C. Ferguson:

Well, we have kind of skirted round it, because we mentioned G.A.A.P. and everything like that.

Deputy A. Breckon:

But the one thing that if you do feel that there are areas that you would like to provide some more detail in or maybe comment on something or elaborate on a question that has been raised here, there is no reason at all why you cannot submit a paper.

Deputy S.C. Ferguson:

You mean give himself extra work?

Deputy A. Breckon:

Well, no, no but --

Deputy S.C. Ferguson:

But if there are points you think that ought to be brought to our attention, we will be grateful.

Deputy A. Breckon:

We are quite fair-minded.

Deputy S.C. Ferguson:

Super. I will get back to you some time later about ...