



**Office of the Comptroller and Auditor General**

**Annual Report**

**Accounts for the year ended 31 December 2016**

Prepared in discharge of the responsibility in Article 19 of the Comptroller  
and Auditor General (Jersey) Law 2014



JERSEY AUDIT OFFICE

**R.105/2017**

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## Preface

All those responsible for the application of public funds have a responsibility to account for their use. The Comptroller and Auditor General (Jersey) Law 2014 requires me to publish both an annual report and audited accounts. Together these outline not only the resources used by the Jersey Audit Office ('the JAO') but also what it has achieved with those resources. The accounts cover the financial year ended 31 December 2016. The Annual Report highlights the work of the JAO up to August 2017.

The work of the JAO is influenced by the challenges facing the States of Jersey ('the States') and, in particular, by the changes that the States are aiming to achieve. As well as producing relevant and insightful reports with clear recommendations, I have worked to engage, to listen and to facilitate change.

Key achievements for the JAO over the last year have been:

- delivery of the final recommendation of my 2013 report 'Public Audit in Jersey' - the establishment of the Board of Governance for my Office, established to review whether I am using the resources allocated to me properly, efficiently and effectively. The States appointed the independent members of the Board in September 2016 and it held its first meeting in December 2016;
- delivery of a full work programme targeted at areas of risk, including the high-profile report on the Jersey Innovation Fund; and
- continuing to deliver public audit at a significantly lower cost than for other comparable jurisdictions reflecting the efficient operating model of the JAO.

Looking forward, I have set priorities and actions in three key areas:

- Firstly, I shall continue to work to achieve positive impact from the JAO's work that supports worthwhile change for the people of Jersey by:
  - working constructively with the States to continue to drive good governance. Good governance is not about bureaucracy. It is about having a framework in place which facilitates good decision making, clear accountability and improved value for money;
  - producing relevant, insightful reports with clear recommendations that are accepted and implemented; and
  - following up previous work to ensure that agreed recommendations are implemented.
- Secondly, I shall continue to work with the Board of Governance to ensure the JAO demonstrates the highest standards of governance.

- Thirdly, I shall continue to work to demonstrate the internal effectiveness and accountability of the JAO. The JAO is a very small organisation. In 2016, the expenditure of the JAO was £698,000, or only £400,000 excluding the fee payable for the audit of the States' accounts. I shall continue to review the way the JAO works, including securing and developing the right skills, so that the JAO can continue to deliver relevant and valuable work within the resources available to it.

**Karen McConnell**  
**Comptroller and Auditor General**

4 September 2017

## **Annual Report**

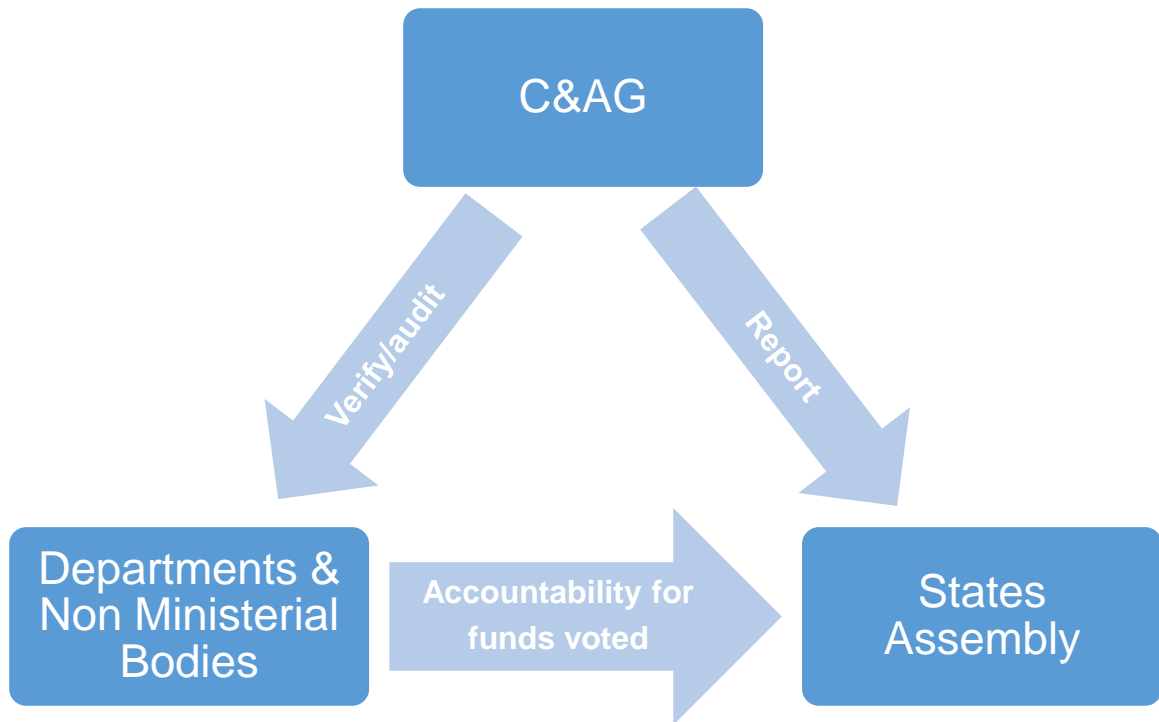
### **Introduction**

1. This Annual Report is a key means by which I demonstrate my accountability for the public funds entrusted to me. It:
  - explains the role and objectives of the JAO;
  - outlines how the JAO operates;
  - highlights what the JAO has achieved;
  - summarises the resources used by the JAO; and
  - outlines plans for the future.

### **What are the aims and objectives of the JAO?**

2. Working through the JAO I assist the States Assembly and the wider public in holding to account those responsible for:
  - safeguarding public resources;
  - accounting for the use of public resources; and
  - using public resources economically, efficiently and effectively.
3. My objectives stem from the Comptroller and Auditor General (Jersey) Law 2014 ('the 2014 Law') and relate primarily to:
  - the appointment of auditors to audit the accounts of the States and certain other entities; and
  - reviewing and reporting to the States Assembly on internal control, corporate governance and economy, efficiency and effectiveness of States-funded bodies, independently-audited States bodies and States-aided independent bodies.
4. Public audit is undertaken on behalf of the public and in the public interest. It strengthens accountability to the States Assembly that authorises resources and to citizens as taxpayers and users of public services. It is therefore an important link in the chain of accountability (see Exhibit 1).

**Exhibit 1: the role of the C&AG**



**How does the JAO operate?**

5. The JAO has established core values by which it operates and which are set out in the Code of Audit Practice that I am required to prepare (see Exhibit 2).

## Exhibit 2: Our core values

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**Independence.** Auditors should be independent of those they audit and be seen to be. Subject to statutory and professional responsibilities, they should comply with Ethical Standards issued by the United Kingdom Financial Reporting Council. They should not undertake any work that might impair their independence or might reasonably be perceived to do so.

**Audit work recognises both costs and benefits.** In planning audit work auditors should consider the materiality or significance of the sums involved. In making recommendations they should recognise that there are costs of implementing audit recommendations as well as benefits that might arise.

**Audit is undertaken as efficiently as possible.** The C&AG and audit firms appointed by the C&AG will discuss the timetable for their work and the information they require. They will seek to rely on the work of internal audit where relevant to their responsibilities.

**Auditors report in public, accessibly, without fear or favour.** As audit is an essential element of public accountability, reporting should be publicly available except where there is a compelling case (such as commercial confidentiality) for it not to be. Audit reporting should be accessible and relevant to stakeholders.

**Auditors adopt a constructive and positive approach.** In discharging their statutory and professional responsibilities, auditors should adopt a constructive and positive approach, supporting and encouraging worthwhile change. In undertaking their work and making recommendations they should recognise the particular circumstances of the Island.

**Confidentiality and data security are balanced with public accountability.** The C&AG and audit firms appointed by the C&AG should comply with statutory and professional requirements relating to the security, holding and disclosure of information received or accessed in the course of their work.

*Source: Code of Audit Practice*

6. Confidence in public audit is pivotal. An essential requirement for securing that confidence is independence of myself and the JAO from both the legislature and the executive. That independence is enshrined in the 2014 Law that:
- prevents any person from directing me in the discharge of my functions. Although I have a statutory duty to attend meetings of the States Assembly's Public Accounts Committee and liaise with it, nobody in the legislature or executive can direct me as to what work I undertake, when I undertake it, how I undertake it, what I conclude or what I report; and
  - gives a statutory protection from award of damages for any action taken in good faith in discharge of my functions.

7. But the JAO does more to demonstrate the highest standards of integrity, objectivity and independence. It:
  - maintains a register of threats to independence and, where necessary, appropriate safeguards;
  - adopts strict policies to avoid the offer or acceptance of gifts or hospitality that might give rise to a perceived threat to independence. It also maintains a register of gifts and hospitality received, declined and offered;
  - in appointing auditors to the States and other entities, ensures that those auditors are independent of those entities; and
  - requires auditors appointed to the States and other entities to obtain prior approval to undertaking non-audit work for the States or entities controlled by the States.
8. In my report 'Public Audit in Jersey', published in 2013, I recognised the inherent challenge in securing the accountability of an Auditor General for the use of resources, the internal organisation of their Office and their arrangements for ensuring audit quality, whilst at the same time not affecting their professional independence. I recommended the establishment of a small Board, independent of but reporting to the States and meeting only a few times a year, to which the C&AG has an accountability for the internal management of the Office, including for financial resources, human resources and quality control.
9. The States accepted my recommendation and adopted legislation to establish a Board of Governance for my Office. The Board is responsible for keeping under review whether I have used the resources provided to me properly, efficiently and effectively. In doing so it must:
  - scrutinise both the use of the resources by and governance arrangements of my Office; and
  - report any concerns to the Chief Minister and the Chairman of the Public Accounts Committee.
10. In September 2016, the States Assembly appointed Peter Price as Chairman of the Board and Professor Russel Griggs as an independent member of the Board. I am ex officio a member of the Board. The Board held its first meeting in December 2016 and has held two subsequent meetings. Minutes of the Board's meetings are available on the Office's website.
11. I have worked with the Board to develop further the governance arrangements for the Office. In the last six months, the Office has published a Complaints Policy and adopted a Relationship Code covering those working for it.
12. The Chief Minister and Chairman of the Public Accounts Committee have agreed to a recommendation of the Board that a further independent member is appointed. A recruitment process is underway with a view to appointing a Jersey resident if possible.



## What has the JAO achieved in the last year?

13. Since my previous annual report, I have:

- issued and kept up to date my annual and three-year audit plan. In developing and delivering my plan I have engaged and listened to ensure that my programme reflects areas of risk where the findings of my reviews will support meaningful change;
- received correspondence from members of the public, including on the Jersey Innovation Fund, estates management and decision making. Whenever such correspondence is received I consider whether additional audit work is appropriate;
- delivered a full programme of audit work, with an increased focus on governance, including oversight of bodies which operate at arm's length from the States, leading to public reports to the States Assembly with clear recommendations to enhance value for money, corporate governance and internal control. In response to issues raised I amended my audit programme, including to undertake a major review of the Jersey Innovation Fund that attracted substantial interest (see Exhibit 3);
- recognising that the value of audit work derives from the change that it promotes, undertaken reviews targeted at following up the implementation of previous audit recommendations and identifying any barriers to implementation;
- attended, or been represented at, meetings of the Public Accounts Committee, including public hearings. The Public Accounts Committee has doubled its routine meetings and is undertaking a programme of hearings on subjects of its own choosing in addition to those undertaken following my reports. Preparation for and attendance at the additional meetings and hearings of the Committee has placed additional demands on the resources of the Office;
- attended, or been represented at, and contributed to meetings of the States' Audit Committee;
- liaised closely with PricewaterhouseCoopers LLP, the auditors of the States' accounts;
- reviewed the arrangements for the preparation and audit of the States' annual accounts and made recommendations for management, the auditors and the States' Audit Committee; and
- participated in the recruitment process for the first Jersey Commissioner for Parliamentary Standards.



### Exhibit 3: Reports to the States Assembly since my previous Annual Report





Title	Date of issue
Use of Management Information in ECSD - Education	22 September 2016
Use of Consultants	13 October 2016
Innovation Fund	12 January 2017
Private Patient Income – Health and Social Services Department	9 February 2017
Arm’s length organisations	27 June 2017
Risk management	Planned September 2017
Award and monitoring of grants	Planned October 2017
Decision making - future hospital site	Planned October 2017

#### What resources has the JAO used?

14. The JAO team comprises eight people, all engaged on a part-time or a call-off basis, with a total of over 150 years’ experience in public audit (see Exhibit 4). Further details of expertise and experience of team members can be found on the Jersey Audit Office website at <https://www.jerseyauditoffice.je/about-us/the-team/> (see Exhibit 4).

## Exhibit 4: JAO staffing

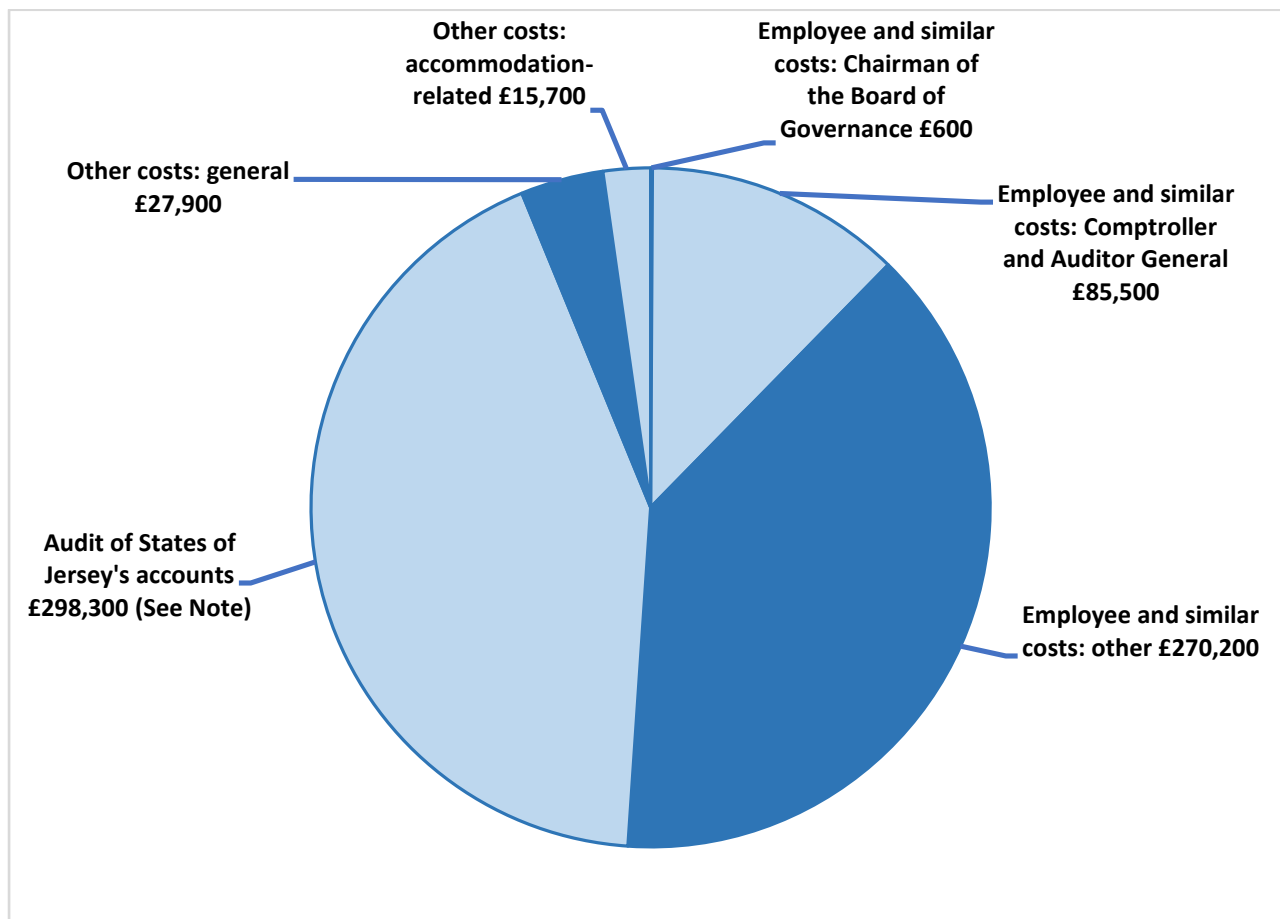
	Name	Position	Role
	Karen McConnell	Comptroller and Auditor General	<p>Leading the JAO</p> <p>Discharging the statutory functions of the C&amp;AG</p> <p>Attending and liaising with the Public Accounts Committee</p> <p>Developing the Audit Plan</p> <p>Undertaking and evaluating research</p> <p>Determining findings and conclusions</p>
	Stephen Warren	Deputy Comptroller and Auditor General	<p>Deputising for the C&amp;AG in her absence, including discharge of statutory functions</p> <p>Leading financial reporting for the JAO</p> <p>Undertaking peer review</p> <p>Undertaking research, evidence gathering and evaluation to support the C&amp;AG in preparation of audit reports</p>
	Elizabeth Rayer	Professional Assistant to the C&AG	<p>Undertaking day to day financial management of the JAO</p> <p>Administration connected with the St Helier office</p> <p>Undertaking research, evidence gathering and evaluation to support the C&amp;AG in preparation of audit reports</p>
	Rozena Pedley	Communications	<p>Supporting the C&amp;AG on publication of reports</p> <p>Supporting the C&amp;AG on correspondence, diary management, enquiry line and website</p> <p>Communicating with the media</p>

	Name	Position	Role
	Stephen Taylor	Affiliate	Undertaking research, evidence gathering and evaluation to support the C&AG in preparation of audit reports
	Andrea White	Affiliate	Undertaking research, evidence gathering and evaluation to support the C&AG in preparation of audit reports
	Ann Trudgeon	Affiliate	Undertaking research, evidence gathering and evaluation to support the C&AG in preparation of audit reports
	Shahida Nasim	Affiliate	Undertaking research, evidence gathering and evaluation to support the C&AG in preparation of audit reports

15. I have also drawn upon specialist input from others both to deliver work in certain areas, and to promote wider learning within the JAO:
- the United Kingdom National Audit Office assisted me in supporting the Public Accounts Committee's follow up of my review of eGovernment and to input into the audit planning process; and
  - in addition to serving as auditors of the States' accounts, PricewaterhouseCoopers LLP:
    - evaluated and tested the 'regularity' of income and expenditure in the States accounts and reported the results of their work to the Treasurer of the States and the Audit Committee. This work was designed to be supportive to the States in advance of moving to giving a formal opinion on regularity for 2017; and
    - advised on work that I was considering on the role of the States as a regulator.

16. In the course of the year ended 31 December 2016 the JAO incurred net expenditure of £698,200 (see Exhibit 5).

**Exhibit 5: JAO net expenditure 2016**



*Note: The fee for the audit of the States of Jersey's accounts is stated net of a recharge to the Social Security Funds of £58,200*

17. The net expenditure of the JAO represented:
- only 0.06% of the expenditure of the States. This figure is up to 50% below that for the public audit functions for equivalent jurisdictions; and
  - an underspend of £114,000 arising from a number of factors including the timing of work, lower reliance on services bought in from third parties, an office move for which budgetary provision was made not taking place until late 2017 and a delay in the appointment of the Board of Governance.
18. The Annual Accounts of the JAO published with this Annual Report provide further detail of the financial performance and position of the JAO, including the remuneration of the Deputy C&AG and myself. The Annual Accounts include:
- the costs of the Board of Governance; and

- the report of the auditor appointed by the Chairman of the Public Accounts Committee.

### What are the JAO's priorities?

19. The JAO has a range of priorities relating to:
- a. the impact of its work where it must challenge but at the same time support. Jersey is a small jurisdiction but the States face substantial challenges stemming from, amongst other things, the implementation of Public Sector Reform, the delivery of the savings included in the Medium Term Financial Plan, the delivery of major capital projects (including the largest capital project ever delivered by the States), responding to the findings of the Independent Care Inquiry and preparing for Brexit;
  - b. its governance, where the JAO must be able to demonstrate the same standards of governance that it expects for other public bodies; and
  - c. its internal operation and effectiveness, where it must be able to continue to demonstrate the value secured from its work.

The priorities and planned actions are set out in Exhibit 6.

### Exhibit 6: Priorities for the JAO

Priority	Planned actions
<p><b>Impact of the JAO's work</b> Maximising the impact of the JAO's work to support worthwhile change for the people of Jersey</p>	<p>Maintaining a focus on effective governance and internal control, building on previous work such as my report on the Jersey Innovation Fund.</p> <p>Alongside the external auditors of the States' accounts and liaising with the Audit Committee, driving improvements in financial management and accountability.</p> <p>Maintaining a focus on follow up of previous audit recommendations to evaluate the extent and the effectiveness of implementation of previous audit recommendations and any barriers to implementation.</p> <p>Maintaining a focus on value for money which is of particular importance given the financial constraints faced by the States.</p> <p>Drawing out common themes from the JAO's work, to identify and challenge the key underlying cultural barriers to and levers for change.</p> <p>Supporting the Public Accounts Committee as it conducts its own reviews based on my work.</p>
<p><b>Governance</b> Working constructively with the Board of Governance to embed its work and demonstrate the highest standards of governance</p>	<p>Agreeing Key Performance Indicators for the JAO.</p>

Priority	Planned actions
<p><b>Internal effectiveness and accountability</b></p> <p>Demonstrating proper stewardship of the public funds allocated to the JAO</p>	<p>Moving to new office accommodation appropriate to the needs of the JAO and facilitating modern ways of working.</p> <p>Redirecting resources towards securing external support in specific areas including benchmarking, capital projects and digital.</p> <p>Undertaking a procurement exercise to broaden the number and skills of affiliates available to the JAO.</p> <p>Exploring opportunities to work with comparable organisations in other jurisdictions.</p> <p>Introducing quarterly reporting of expenditure, including the C&amp;AG's expenses.</p>

**Karen McConnell**  
**Comptroller and Auditor General**  
4 September 2017

### **Statement of responsibilities for the Annual Accounts**

I am required by the Comptroller and Auditor General (Jersey) Law 2014 to prepare the Annual Accounts of the Office of the Comptroller and Auditor General.

In preparing the Accounts, detailed in the following pages, I have:

- applied the going-concern principle;
- applied appropriate accounting policies in a consistent manner; and
- made reasonable and prudent judgements and estimates.

I confirm that, so far as I am aware, there is no relevant audit information of which the auditor of these Accounts is unaware; and I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the auditor is aware of that information.

**Karen McConnell**  
**Comptroller and Auditor General**

4 September 2017



## **Independent auditors' report to the Comptroller and Auditor General**

We have audited the financial statements of the Office of the Comptroller and Auditor General for the year ended 31 December 2016 which comprise the Statement of comprehensive net expenditure, Statement of financial position, Statement of comparison of budget and actual amounts, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Public Sector Accounting Standards (IPSAS).

This report is made solely to the Comptroller and Auditor General and in accordance with Article 19 of the Comptroller and Auditor General (Jersey) Law 2014. Our audit work has been undertaken so that we might state to the Comptroller and Auditor General those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Comptroller and Auditor General, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Comptroller and Auditor General and auditors**

The Office of the Comptroller and Auditor General are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Office of the Comptroller and Auditor General's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Comptroller and Auditor General; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information on pages 5 to 15 in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Office of the Comptroller and Auditor General's affairs as at 31 December 2016 and of its total comprehensive net expenditure;
- have been properly prepared in accordance with International Public Sector Accounting Standards; and
- have been prepared in accordance with the requirements of the Comptroller and Auditor General (Jersey) Law 2014.

Grant Thornton Limited  
Chartered Accountants  
St Helier, Jersey, Channel Islands

4 September 2017

## Annual Accounts

### Statement of comprehensive net expenditure

For the year ended 31 December 2016

	Notes	2016	2015 (Re- classified)	2015 (As previously classified)
		£	£	£
<b>Expenses</b>				
Employee and similar costs: Chairman of the Board of Governance		600		
Employee and similar costs: Comptroller and Auditor General		85,500	84,800	84,800
Employee and similar costs: other	4	270,200	274,600	308,700
Other costs: audit of States of Jersey's accounts	5	298,300	299,200	299,200
Other costs: general	6	27,900	85,500	51,400
Other costs: accommodation-related	7, 11	15,700	15,300	15,300
<b>Total comprehensive net expenditure</b>		<b>698,200</b>	<b>759,400</b>	<b>759,400</b>

**Statement of financial position**

	<b>Notes</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
		<b>£</b>	<b>£</b>
<b>Assets</b>			
<b>Current assets</b>			
Trade receivables from exchange transactions	8	5,200	-
Receivables from non-exchange transactions: States of Jersey Consolidated Fund		319,700	320,000
<b>Total assets</b>		<b>324,900</b>	<b>320,000</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables from exchange transactions	9	324,900	320,000
<b>Total liabilities</b>		<b>324,900</b>	<b>320,000</b>
<b>Net assets</b>		<b>0</b>	<b>0</b>

**Statement of comparison of budget and actual amounts**

**For the year ended 31 December 2016**

<b>Net revenue expenditure</b>	<b>Notes</b>	<b>2015</b>
		£
Original budget	16	777,200
Adjustments	16	35,000
Final budget	16	812,200
Actual on comparable basis		698,200
Performance difference		114,000

## **Notes to the financial statements**

### **1 General Information**

These financial statements were authorised for issue by the Comptroller and Auditor General on 4 September 2017.

The Comptroller and Auditor General is a corporation sole established by the States of Jersey under the Comptroller and Auditor General (Jersey) Law 2014 (previously the Public Finances (Jersey) Law 2005). The financial activities of the Office of the Comptroller and Auditor General are included within the financial statements of the States of Jersey.

The Office of the Comptroller and Auditor General's principal activity is serving as a supreme audit institution for Jersey and is located in Jersey.

The financial statements cover the individual entity as no other entities have been identified for inclusion within the financial statements in accordance with applicable accounting standards.

### **2 Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in pounds sterling which is the functional and reporting currency of the Office of the Comptroller and Auditor General and all values are rounded to the nearest one hundred pounds.

The financial statements are prepared on the basis of historical cost unless otherwise stated. The financial statements are prepared on an accrual basis.

### **3 Summary of significant accounting policies**

#### **a) Reporting financial performance**

The expenses of the Office of the Comptroller and Auditor General are directly met by the States of Jersey and no cash or equivalent is advanced to the Office of the Comptroller and Auditor General. Therefore:

- these financial statements include a Statement of Comprehensive Net Expenditure as the Office of the Comptroller and Auditor General receives no income;
- the Statement of Financial Position includes Receivables from non-exchange transactions representing the amounts payable by the States of Jersey's Social Security Funds to meet the liabilities of the proportion of the costs of the audit of the financial statements of the States falling on the Social Security Funds;
- the Statement of Financial Position includes Receivables from non-exchange transactions representing the amounts payable by the States of Jersey's Consolidated Fund to meet the liabilities of the Comptroller and Auditor General; and

- no Cash Flow Statement is prepared as there are no cash flows specifically attributable to the Office of the Comptroller and Auditor General.

#### **b) Recognition of expenditure**

Expenditure in respect of fees for the audit of the annual financial statements of the States of Jersey and the Office of the Comptroller and Auditor General are recognised in the period to which the financial statements relate. Expenditure is stated net of the amount falling on the Social Security Funds as full responsibility for the portion of the cost of the audit of the Social Security Funds rests with the Social Security Funds and the Comptroller and Auditor General is acting as an agent in respect of this amount.

Expenditure in respect of fees for other work undertaken for the Office of Comptroller and Auditor General is recognised in the period in which the service is provided.

Expenditure is reported net of Goods and Services Tax.

#### **c) Property, plant and equipment**

The Office of the Comptroller and Auditor General's policy is to recognise property, plant and equipment in the financial statements at cost less accumulated depreciation where the cost of an individual item or group of items exceeds £10,000. No such items were held at 31 December 2016 (or 31 December 2015).

#### **d) Leases**

Operating leases are leases that do not transfer substantially all the risks and benefits of ownership of the leased item to the Office of the Comptroller and Auditor General. Operating lease payments are recognised as an operating expense on a straight-line basis over the lease term.

#### **e) Provisions**

Provisions are recognised when the Office of the Comptroller and Auditor General has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Office of the Comptroller and Auditor General does not recognise contingent liabilities but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

The Office of the Comptroller and Auditor General does not recognise contingent assets but discloses in the notes to the financial statements details of any possible assets whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Comptroller and Auditor General.

#### **f) Employee benefits**

The Office of the Comptroller and Auditor General receives the services of a member of staff employed by the States of Jersey who is a member of the Public Employees' Contributory Retirement Scheme (PECRS). The costs of that member of staff are included in the Statement of Comprehensive Net Expenditure.

##### *Retirement benefits*

The States of Jersey on behalf of the Office of the Comptroller and Auditor General makes a fixed contribution to PECRS. Although PECRS plans to make specified payments to former employees in retirement, the Office of the Comptroller and Auditor General does not have any legal or constructive obligation to pay further contributions if PECRS does not hold sufficient assets to pay employee benefits relating to employee service in the current or prior periods. The contributions to PECRS are therefore charged in the year in which they become payable.

##### *Short-term employee benefits*

The cost of short-term employee benefits, such as payment for annual leave is recognised in the period in which the employee provides the related service.

#### **g) Related parties**

The Comptroller and Auditor General regards a related party as a person or entity with the ability to exercise significant influence over the Office of the Comptroller and Auditor General.

#### **h) Changes in accounting policies and estimates**

The Comptroller and Auditor General recognises the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

There are no changes in accounting policy compared with the financial statements for the year ended 31 December 2015.

The Office of the Comptroller and Auditor General recognises the effects of changes in accounting estimates prospectively by including them in net expenditure.

#### **i) Classification of expenses**

The Office of the Comptroller and Auditor General adopts an expenditure classification that is relevant to the circumstances of the Office.

A change in classification of expenses has been adopted for the year ended 31 December 2016: Non-audit services provided by the auditors of the States of Jersey have been reclassified from Employee and similar costs: other to Other costs: General. To preserve comparability, the comparative figures for expenditure in the year ended 31 December 2015 are stated on both the basis of the previous and current bases.

## **j) Budget information**

The annual budget for the expenditure of the Office of the Comptroller and Auditor General is prepared on the basis of 'near cash' expenditure as defined in the Jersey Financial Reporting Manual (which is based on European Union-adopted International Financial Reporting Standards). The budget classification used is that adopted by the States of Jersey.

## **k) Significant judgements and sources of estimation uncertainty**

The preparation of the financial statements of the Office of the Comptroller and Auditor General in conformity with IPSAS requires management to make judgements, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the disclosure of any contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the accounting policies, the Comptroller and Auditor General has made judgements which have an effect on the amounts recognised in the financial statements. The most significant judgements relate to:

- the accounting policy for the recognition of expenditure on fees for the audit of the States of Jersey disclosed in Note 3 b) above;
- the accounting policy for audit fees in respect of the States of Jersey Social Security Funds disclosed in Note 3 b) above; and
- the accounting policy for retirement benefits disclosed in Note 3 f) above.

The Comptroller and Auditor General has not identified any key assumptions or other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

## **l) New IPSAS**

The Comptroller and Auditor General has determined that the following IPSASs for which first time adoption is required for financial periods beginning on or after 1 January 2017 but early adoption is permitted are not relevant to these financial statements:

- IPSAS 34 Separate Financial Statements;
- IPSAS 35 Consolidated Financial Statements;
- IPSAS 36 Investments in Associated and Joint Ventures;
- IPSAS 37 Joint Arrangements;
- IPSAS 38 Disclosure of Interests in Other Entities; and
- IPSAS 40 Public Sector Combinations.



Whilst IPSAS 39 Employee Benefits is relevant to the financial statements of the Office of the Comptroller and Auditor General, the Comptroller and Auditor General has determined that its adoption will have no impact on the reported financial position or performance of the Office.

**4 Staff and similar costs: other**

	<b>2016</b>	<b>2015</b>	<b>2015</b>
		<b>(Re- classified)</b>	<b>(As previously classified)</b>
	£	£	£
Deputy Comptroller and Auditor General	69,400	73,200	73,200
Affiliates	98,800	101,200	101,200
Non-audit services provided by the auditors of the States of Jersey	-	-	34,100
States employee and communication & administrative support	102,000	100,200	100,200
	<b>270,200</b>	<b>274,600</b>	<b>308,700</b>

The staff costs for the States employee includes an employer contribution of £5,600 (2015: £5,400) to the Public Employees' Contributory Retirement Scheme.

**5 Other costs: audit of States' accounts**

This expenditure is stated net of a charge to the States of Jersey's Social Security Funds of £58,200 (2015: £58,300).

**6 Other costs: general**

	<b>2016</b>	<b>2015 (Re- classified)</b>	<b>2015 (As originally classified)</b>
	£	£	£
Non-audit services provided by the auditors of the States of Jersey	-	34,100	
Other professional services bought in	-	10,000	10,000
ICT support	(3,400)	10,500	10,500
Communications	3,500	2,500	2,500
Travel and accommodation: Chairman of the Board of Governance	100	-	-
Travel and accommodation: Comptroller and Auditor General	8,600	8,900	8,900
Travel and accommodation: Deputy Comptroller and Auditor General	4,200	4,700	4,700
Travel and accommodation: other	10,100	9,400	9,400
Audit fee: Office of the Comptroller and Auditor General	4,000	4,000	4,000
Administration	800	1,400	1,400
	<b>27,900</b>	<b>85,500</b>	<b>51,400</b>

**7 Other costs: accommodation-related**

	<b>2016</b>	<b>2015</b>
	£	£
Premises and maintenance	14,700	14,800
Printing and stationery	1,000	500
	<b>15,700</b>	<b>15,300</b>

**8 Trade receivables from exchange transactions**

	<b>2016</b>	<b>2015</b>
	£	£
Prepayments	5,200	-
	<b>5,200</b>	-

**9 Trade payables from exchange transactions**

	<b>2016</b>	<b>2015</b>
	£	£
Trade payables	15,600	23,000
Accruals	309,300	297,000
	<b>324,900</b>	<b>320,000</b>

Trade payables are non-interest bearing and are normally settled on 30-day terms.

**10 Financial instruments – financial risk management**

The fair value of receivables from exchange transactions is equal to their carrying value due to the short-term maturities of these instruments.

As the Office of the Comptroller and Auditor General has no assets arising from exchange transactions, the Office of the Comptroller and Auditor General is not exposed to any credit risk.

As the States of Jersey meet the liabilities of the Office of the Comptroller and Auditor General, the Office of the Comptroller and Auditor General is not exposed to any liquidity risk.

As the Office of the Comptroller and Auditor General does not enter into any contracts for supply of goods or services not denominated in sterling, the Office of the Comptroller and Auditor General is not exposed to any currency risk.

As the Office of the Comptroller and Auditor General does not have any interest-bearing assets or liabilities, the Office of the Comptroller and Auditor General is not exposed to any market risk.

## **11 Related party disclosures**

### *Terms and conditions of transactions with related parties*

Karen McConnell is engaged as Comptroller and Auditor General and Stephen Warren is engaged as Deputy Comptroller and Auditor General on a self-employed basis. Purchases from Karen McConnell and Stephen Warren are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured, interest-free and settled in cash. There have been no guarantees provided or received from any related party payable.

### *Key management personnel*

The key management personnel, as defined by IPSAS 20 Related Party Disclosures, comprise Karen McConnell, as Comptroller and Auditor General, a corporation sole established by Article 2 of the Comptroller and Auditor General (Jersey) Law 2014 and Stephen Warren, Deputy Comptroller and Auditor General, who is empowered under Article 16 of the Comptroller and Auditor General (Jersey) Law 2014 to discharge the functions of Comptroller and Auditor General in Karen McConnell's absence. Karen McConnell and Stephen Warren are engaged on a self-employed basis and total expenditure on their engagement is reported in the Statement of Comprehensive Net Expenditure.

### *States of Jersey*

Article 9 of the Comptroller and Auditor General (Jersey) Law 2014 places a duty on the States to ensure that the Comptroller and Auditor General is provided with sufficient resources to perform her functions. Article 50 of the Public Finances (Jersey) Law 2005 placed a duty on the Chief Minister to ensure that the Comptroller and Auditor General is provided with sufficient resources to perform her functions.

The duty to ensure that sufficient resources are provided is discharged by the States meeting the costs of Office of the Comptroller and Auditor.

### *States of Jersey Social Security Funds*

The Social Security Fund, Social Security (Reserve) Fund, Health Insurance Fund and Long Term Care Fund established by the States of Jersey meet the portion of the cost of the audit of the States' accounts relating to those Funds.

## **12 Operating lease payments**

Future minimum lease payments under an operating lease relate to the Broad Street, St Helier office occupied by the Comptroller and Auditor General and amount to £6,600 (2015: £6,600), all payable within one year.

Lease payments recognised as an expense during the period amounted to £13,600 (2015: £13,600).

## **13 Contingent liabilities**

At the end of the financial year the Office of the Comptroller and Auditor General had no contingent liabilities (31 December 2015: nil).

## **14 Segment information**

For management purposes the Office of the Comptroller and Auditor General is treated as comprising only two business units - one covering the Board of Governance of the Office of the Comptroller and Auditor General (established under the Comptroller and Auditor General (Board of Governance) (Jersey) Order 2015) and one covering all other expenditure. The Office of the Comptroller and Auditor General operates in only one geographic location and therefore no segments are monitored geographically.

The Comptroller and Auditor General has formed the view that:

- as the Board of Governance only commenced operation in September 2016 and the expenditure in relation to it for the year was entirely immaterial, it was not necessary separately to report financial information in respect of it; and
- there is no other distinguishable activity or group of activities of the Office of the Comptroller and Auditor General for which it is appropriate separately to report financial information for the purpose of evaluating past performance in achieving objectives and making decisions about the future allocation of resources.

## **15 Events after the reporting period**

There are no material non-adjusting events after the reporting date.

## 16 Reconciliation of performance against budget to Statement of Comprehensive Net Expenditure

There is potential for differences between the financial performance of the Office of the Comptroller and Auditor General reported in the Annex to the Financial Report and Accounts of the States of Jersey and that reported in these financial statements as a result of:

- use of a different definition of expenditure;
- use of different accounting policies;
- use of different estimation procedures;
- use of a different unit of rounding; and
- adoption of financial statements on different dates.

Performance against budget for the year ended 31 December 2016 can be reconciled as follows:

	<b>2016</b>
	£
<b>Near cash expenditure for the Office of the Comptroller and Auditor General reported on page 200 of the Financial Report and Accounts of the States of Jersey</b>	<b>571,000</b>
Plus: Writing out of overstatement of payables relating to year ended 31 December 2013 or earlier in financial statements of the Financial Report and Accounts of the States of Jersey	128,500
Plus: Expenditure not charged to individual departments in the Financial Report and Accounts of the States of Jersey	400
Less: Net effect of miscellaneous adjustments	(1,500)
Adjustment for different unit of rounding	(200)
<b>Total comprehensive net expenditure</b>	<b>698,200</b>

## 17 Differences between original budget, final budget and actual

'Original budget 2016' represents the sum for the year ended 31 December 2016 included in the Medium Term Financial Plan approved by the States Assembly on 8 October 2015.

'Final budget 2016' represents the final budget for the year ended 31 December 2016 notified by the Treasurer of the States to the Comptroller and Auditor General on 13 April 2016.

The budget is prepared on an accruals basis using the States of Jersey budget classification.

Budget and actuals cover the activities of the Office of the Comptroller and Auditor General.

The adjustment from the original budget to final budget reflects the approval by the Minister for Treasury and Resources of a 'carry forward' from 2015.

The principal reasons for the variance of actual performance against budget are:

- a delay in the appointment and therefore the operation of the Board of Governance for the Office of the Comptroller and Auditor General compared with that anticipated when the budget was prepared;
- a reduction in expenditure on external organisations supporting the Comptroller and Auditor General with increased reliance on coaching and support of affiliates working for the Comptroller and Auditor General;
- an immaterial reduction in reported expenditure on IT support as a result of recognising payments in advance made under the terms of the contract;
- a decision not to undertake a further review of the regularity of income and expenditure included in the financial statements of the States of Jersey in the course of the year; and
- a deferral until a subsequent year of an office relocation for which provision was made in the budget.



JERSEY AUDIT OFFICE

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