States of Jersey
States Assembly

États de Jersey
Assemblée des États

Public Accounts Committee

Report on the Accounts of the States Of Jersey

for the year ended December 31st 2009

Presented to the States on 15th December 2010

P.A.C 4/2010

Chairman's Foreword

Previous Public Accounts Committee reports regarding the States Accounts have undertaken a detailed examination of spending within individual Departments.

Time and again, our attention has returned to the deep-seated issue of internal financial controls.

While a lengthy document examining spending within each Department is a worthy exercise, present circumstances (dictated by overspending in the shadow of an overwhelming structural deficit) call for something more direct. (However we have asked specific questions relating to matters of concern in the Accounts and these questions together with the answers from the Executive are contained in the Appendix of this Report.)

This report aims to drill down through the details in order to address the fundamental weakness in financial control and accountability from which all subsidiary overspends appear to originate.

The facts are stark. The States overspent in 2009 by over £100 million compared to the 2005 estimate.

Within this report, we will address why this was allowed to happen and we will be making recommendations to strengthen the system to prevent this pattern from repeating itself.

The choice ahead is simple – control spending or pay more tax.

Senator B.E. Shenton
Chairman, Public Accounts Committee

1. Executive Summary

1.1 Following the release of the Financial Report and Accounts of the States of Jersey for 2009, the Public Accounts Committee held a series of Public Hearings in order to establish any issues which had arisen within the Accounts.

1.2 In particular, the Committee wished to examine whether issues raised within their report on the previous year's accounts (P.A.C. 1/2010), had been satisfactorily addressed.

1.3 The financial forecast 2005-2010 gave a forecast of net revenue expenditure of £478 million for 2009. The actual net revenue expenditure was over £100 million above this at £603 million.

1.4 The Committee is extremely concerned at the disparity between these figures. We received no assurances however that the forecasting process was to be improved.

1.5 The forecasting process itself was not the only cause for alarm. The overriding issue was lack of control of spending subsequent to the forecast.

1.6 The Committee was concerned that the Interim Treasurer had not signed the Accounts, and asked questions about the implications this had on accountability for States spending.

1.7 Although matters have been improved, the issue regarding the problem with accountability within Home Affairs (demonstrated during the Historic Child Abuse Enquiry) has yet to be fully resolved.

1.8 The Committee established that lines of accountability for centralised States spending are unclear. This is exacerbated by ambiguities within the Public Finance (Jersey) Law 2005, and the lack of collective responsibility engendered by the Council of Ministers, where each Minister acts as a corporation sole.

1.9 In connection with this, we noted that public sector spending has risen significantly since the inception of Ministerial Government. We believe this is directly linked to the reduction of accountability.

1.10 In the end it proved impossible to identify who has overarching responsibility for States spending, as both the Chief Executive and Treasurer lack the mandate to enforce the necessary controls. Their roles are largely limited to that of adviser and implementer. Therefore it is not possible for them to have responsibility for States spending.

1.11 The Committee was troubled that the Treasurer was not necessarily aware of all audits and financial investigations of all Departments, and therefore questioned his ability to centrally manage, (or even monitor) prudent spending.

1.12 This situation is aggravated by the uncertainties around the interpretation of the Public Finances (Jersey) Law 2005, which does not explicitly state that the Treasurer has an obligation around sensible fiscal management. Neither does the Law compel compliance with Financial Directions. Unsurprisingly therefore, non-compliance exists.

1.13 We recommended increased powers for the Treasurer, giving him responsibilities for central financial oversight in line with that of a Section 151 Officer in the United Kingdom.

1.14 As it is States Members who debate and approve additional spending against budget in the Business Plan, it currently appears difficult to assign full responsibility for spending to Chief Officers.

1.15 However the Committee notes that funds are sometimes requested retrospectively, making it very difficult for politicians to vote against it when they are presented with a fait accompli. It is also noted that the proposed spending within Propositions is often lacking in sufficient detail or is implicit only.

1.16 The Committee explored the difficulties arising from the scenario where a Chief Officer disagrees with his Minister regarding prudent spending, and raised concerns that the Treasurer and/or the C&AG may not always be consulted. Financial Direction 2.2 does instruct that where a conflict arises, a written direction must be issued stating that the Chief Officer's advice has been overruled, and that the C&AG should be notified. However, we remain unconvinced that this has always happened in practice.

1.17 Concerns were raised regarding the lack of formality surrounding inter-Departmental budget transfers. Some transfers are made via Proposition; others by Ministerial Decision, reported to the States many months later, which results in a lack of transparency.

1.18 Questions were asked about the remuneration of States employees, in particular those in senior roles. The Committee was pleased to note that these details will soon be in the public domain.

1.19 In the context of the ongoing Comprehensive Spending Review, the possibility of the outsourcing of public services was discussed. For example, we questioned why the States should be managing car parks, particularly on a non-commercial basis. The Committee was pleased that the benefits of outsourcing were accepted in principle by the Interim Treasurer.

1.20 The Public Accounts Committee considers that the issue of accountability is at the heart of any examination of States Spending. We remain of the opinion that serious measures should be taken to clarify the lack of clarity around responsibility. Until such measures are taken, spending will inevitably continue to rise. In the context of the structural deficit, this is not an option.

1.21 The Comptroller & Auditor General's report 'Public Finances (Jersey) Law 2005- a Review in the Light of Experience' outlines many of the above issues, and we consider this report highly relevant to our investigation of the States Accounts. Therefore we have re-iterated several of these recommendations. This Committee will continue to press for the proposals within the Comptroller & Auditor General's report to be realised.

2. Key Findings and Recommendations

(The reference numbers below are taken from where these key findings and recommendations appear in context within the following report.)

3.5 Key Finding
The Committee is concerned at the disparity between the predicted expenditure and the actual expenditure which would appear to demonstrate uncontrolled spending.

3.8 Key Finding
In 2009, the States overspent against forecast by over £100m based on the original financial forecast 2005-2010.

4.2 Key Finding
The Chief Executive considers that the main reason for the overspend is because the States Assembly approves spending over and above what is contained in the Business

Plan. Civil servants draft the Business Plan, but it is the States Members who debate and agree departmental cash limits, not Chief Officers.

4.8 Key Finding
Even allowing for unpredictable factors, the financial forecast underestimated spend by an unacceptable level.

4.11 Key Finding
At the Hearing, the Deputy Treasurer did not provide our Committee with any information about any plans to improve the financial forecasting process. The Public Accounts Committee considers this indicative of a lack of focused motivation for improvements within the Treasury Department.

4.12 Recommendation
The importance of accurate financial forecasting cannot be under-estimated. A maximum deviation of 2% should be the goal and there should be an annual review of forecasting accuracy with a detailed analysis of circumstances where a 2% deviation is breached. This should be published by the Minister for Treasury and Resources.

5.11 Key Finding
The 2009 Accounts effectively have no Accounting Officer. It is the opinion of the Public Accounts Committee that the Interim Treasurer should have signed the Accounts.

5.13 Recommendation
The responsibilities of the Treasurer remain unchanged, whether full time or temporary. It should be mandatory that the Accounts of the States of Jersey must be signed by the Treasurer. Next year's Accounts must be signed by the individual holding the post.
N.B the Public Accounts Committee has now been informed that it is understood that the new treasurer will sign the 2010 Accounts.

6.4 Key Finding
Although the situation regarding confusion of lines of accountability in Home Affairs has been improved, there is still potential for financial mis-management.

6.5 Recommendation
A Police Authority should be established as a matter of urgency. The lack of an accountable structure at Home Affairs is not sustainable.

6.6 Recommendation
The financial management structure within Home Affairs is seriously deficient and a cause of major concern. It is difficult to understand the lack of urgency to redress this unacceptable situation. Ultimate responsibility for ensuring necessary controls are in place lies with the Chief Executive, the Treasurer and the Minister for Treasury and Resources. In respect of this serious weakness, each must step up to the plate and ensure the current unacceptable position is rectified.

6.8 Recommendation
The Chief of Police should be an Accounting Officer. However, there must be a clear segregation of duties between responsibilities as Accounting Officer and operational issues. Clearly, it would be wrong for the Public Accounts Committee or any other body to interfere with operational matters.

7.5 Key Finding
In the Chief Executive's view, if an overspend is approved by the States Assembly, then it is not an overspend. This is unacceptable. Any requests in excess of the original budget should be treated appropriately.

7.6 Recommendation
The Financial Report and Accounts should clearly show the original approved budget.

7.12 Key Finding
Politicians are sometimes placed in a position where they are forced to approve the extra funds which have already been spent. Therefore it is not strictly true to say it is the States Assembly which is accountable for this spending.

7.13 Key Finding
It is sometimes unclear how much of the extra funds were approved by the States Assembly and how much by Ministerial Decision. Particularly when the movement of funds by Ministerial Decision is usually reported to the States many months after the event.

7.14 Recommendation
118 requests for extra funding should not be made retrospectively. The States Assembly should look to reject 118 requests where the funds have already been spent despite the consequences. Departments should look for authority before they spend money. The Financial Report and Accounts should clearly show the approved budget, any cross-ministerial transfers, and detailed actual spend as an appendix to the Accounts.

8.3 Recommendation
The Chief Executive's job description is out of date and requires updating. The Public Accounts Committee would expect the Chief Executive to be a driver of change in this respect where weaknesses have been identified. The Public Accounts Committee is disappointed that known weaknesses in the Public Finances Law have failed to be addressed.

8.4 Key Finding
The Public Finances (Jersey) Law 2005 has undermined the ability of the Chief Executive to control or be accountable for spending.

8.8 Key Finding
The Chief Executive has no direct authority over each Chief Officer. This, combined with the removal of collective responsibility from the Council of Ministers, means that the Chief Executive is unable to be any more than an implementer.

8.9 Recommendation
Lines of accountability should be codified, with the Chief Executive having direct authority over the Chief Officers. This may require a change to the Public Finances (Jersey) Law 2005.

9.5 Key Finding
There have been instances where the Minister has gone against Officers' advice, but this has not actually been formally minuted. Therefore the Accounting Officer can simply say "Well, that was not the advice I gave." It means that the Accounting Officer cannot be held to account and the Minister does not have to explain his actions.

9.6 Recommendation
A Chief Officers advice should be routinely and formally placed on the public record, in particular when the Minister does not follow the advice.

9.8 Key Finding
The Treasurer has no obligation to get involved where there is a disagreement in a Department outside of the Treasury. Therefore, there is not necessarily a public Ministerial Decision to record when there is a disagreement in a Department outside of the Treasury.

9.11 Recommendation

It is important to establish what happens (or what should happen) when a Minister decides to pursue a course that his Chief Officer considers fiscally or operationally unwise, if this course of action means that the Chief Office cannot reconcile it with his responsibilities under the Public Finances (Jersey) Law 2005.

9.17 Key Finding

Currently, if a Chief Officer's advice is not followed there is not always a formal and public record of the decision, and the Treasurer is not obliged to become involved or even always alerted to the situation. Although Financial Direction 2.2 does state that a written instruction should be issued where there is a conflict, the Committee is only aware of one instance in the last five years where this has happened.

N.B. The Comptroller & Auditor General has written to the Chief Officers of all Departments in order to ask whether Financial Direction 2.2 section 5.21 has always been followed.

9.18 Recommendation

Where a Minister and Chief Officer disagree about a course of action, the UK Central Government model should be strictly followed with no exceptions. This would be a process which would actively involve the Treasurer and a written direction from the Minister. Notification should also be made automatically, with no exceptions or delays, to the Chief Minister, the Chairmen's Committee and the relevant Scrutiny Panel.

10.7 Key Finding

The cumulative effect of confused lines of accountability is that nobody is responsible for States Spending.

10.8 Recommendation

Lines of Accountability need to be defined beyond doubt. The position of collective responsibility within the Council of Ministers needs to be re-examined. Whilst this is ultimately a political decision, we feel that from a purely financial perspective, controlling spending where no collective responsibility exists will be extremely difficult.

11.4 Key Finding

Governmental Departments are operating in silos, and the Public Finances (Jersey) Law 2005 does little to guard against this.

11.5 Recommendation

(Quoted from the Comptroller & Auditor General)

Article 30 of the Public Finances Law should be amended in order to oblige Accounting Officers to comply with Financial Directions. Alternatively, if the status of Financial Directions were to be re-considered, Accounting Officers should be obliged to follow the guidance issued by the Treasurer, whatever form that guidance may take.[1]

11.7 Key Finding

Ministerial Government has been set up in such a way that in effect, nobody is responsible for States spending. Furthermore, the weakening of responsibility and accountability for spending in respect of Chief Officers is enshrined in law.

11.8 Recommendation

The Public Finances (Jersey) Law 2005 should be changed in order to strengthen the independence and powers of the Treasurer.

12.5 Key Finding

A fundamental re-structuring of government is required if spending is to be controlled.

[1] Report by the C&AG: Public Finances (Jersey) Law 2005 A Review in the Light of Experience P 22

12.6 Recommendation

The States must embrace the role of the Treasurer in its purest form – as an independent Treasurer appointed by and responsible to the States Assembly. The Treasurer should have the freedom to comment independently on Propositions, where appropriate, in respect of the financial implications.

13.5 Key Finding

In the view of our Committee, politicians failing to adhere to spending limits is not the only risk facing the States. The lack of accountability of Chief Officers is also a risk, as is the failure of the Treasurer to act with the independence that the role demands.

13.9 Key Finding

The Chief Executive's role does not mirror that of a Chief Executive of a corporation as he appears not to have the equivalent level of responsibility or accountability.

13.10 Recommendation

Given the admission that the role of Chief Executive is limited to that of advisor and implementer – and that ultimately the politicians carry the bulk of the responsibility – the terms and conditions of senior civil servants should be reviewed to reflect the lower level of responsibility.

13.16 Key Finding

It is States Members who debate and approve departmental cash limits in the Annual Business Plan, not Chief Officers. The Public Accounts Committee notes that in 2009, the States Assembly approved proposals that, ignoring the financial stimulus package, expenditure should rise by about 10%.

13.23 Key Finding

Propositions do not contain sufficient detail of spending to give Members enough information to make a considered decision. As the Interim Treasurer acknowledged, it is not realistic to expect politicians to know the ins and outs of the intricacies of Departmental spending. Responsibility for professional management of Departments must lie with the civil servants who are providing the advice.

14.7 Key Finding

Inter Departmental transfers can only be made by Ministerial Decision. The Treasury and the Chief Officers can play no more than an advisory role. This process is not efficient or centralised, indicative of a silo mentality. Most importantly, there appears to be no accountability involved in this process, or centralised decision making audit.

14.8 Key Finding

The decisions to transfer funds between Departments are not sufficiently formalised

14.9 Recommendation

The process should be more formalised and open. The States Assembly should be notified of all inter-Departmental transfers, with an explanatory Report (R). This report should be written in a style that can be understood by the majority of States Members and the Public.

15.12 Key Finding

Quote from the Comptroller & Auditor General:

"If the Treasurer is not the person responsible for monitoring expenditure control, it is not clear who has the responsibility. The 2005 Law does not refer to anyone else who might be thought to have responsibility and that appears to be a significant weakness in the 2005 Law."[2]

[2] Report by the C&AG: Public Finances (Jersey) Law 2005 A Review in the Light of Experience p15

15.13 Recommendation
The Public Finances Law should be changed to make the Treasurer explicitly responsible for providing advice, with added whistle blowing powers to provide for potential conflicts.

15.17 Key Finding
There is a lack of centralised financial oversight as exist in other jurisdictions. The Treasurer's position is too weak as he has insufficient powers to enforce prudent fiscal management.

15.18 Recommendation
The Public Accounts Committee considers that Accounting Officers have responsibility but that there should be an overarching responsibility embodied by the Treasurer. This would have the effect of centralising control of States spending. A 151 Officer should be appointed and charged with prudent financial management, in line with 151 duties in the UK. This individual should be the Treasurer. The Public Finances (Jersey) Law 2005 should be updated to encompass this extra responsibility. In other words- Accounting Officers of Departments are responsible but the Treasurer would have an overarching responsibility to investigate and resolve problems i.e. the Treasurer would act like a 151 Officer.

15.22 Key Finding
There are certain reports about States spending that the Treasurer 'will not necessarily see.' This includes a major report regarding the Historical Child Abuse Enquiry. Furthermore, the decision as to whether to make the Treasurer aware of a report is seen by the Treasurer as the choice of the Department in question, and not mandatory.

15.23 Recommendation
If the Treasurer is truly acting as 'head of profession,' then he will have a duty to see these audits and the Departments would have a duty to supply them. The Treasurer must look to address weaknesses of a financial nature that appear in the various reports presented to the States.

16.3 Key Finding
The Public Finances Law does not explicitly state who is responsible for spending. While the Treasurer's responsibilities are outlined, they could be interpreted as the Treasurer being an adviser rather than having a duty towards prudent financial management.

16.4 Key Finding
Even if the Treasurer were minded to pursue his duty to ensure prudent fiscal management, in practice, the Public Finances Law does not give him the power to do so, as stated by the Comptroller & Auditor General:

Although the 2005 Law empowers the Treasurer to issue Financial Directions, it does not require that Accounting Officers shall comply with those Financial Directions. Unsurprisingly, the effect of this provision is that cases of non-compliance have continued.[3]

16.5 Key Finding
Non compliance with internal financial controls is in part due to the Public Finances Law which does not a) give the Treasurer sufficient powers to enforce financial directions or b) require compliance by law.

17.3 Key Finding
The Stabilisation Fund appears to have been used in accordance with its original mandate. However, management of the underlying funds could be improved.

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[3] Report by the C&AG: Public Finances (Jersey) Law 2005 A Review in the Light of Experience p 22

17.4 Recommendation

Improved cash management processes need to be adopted, with greater attention paid to when funds will be required in order to produce a bespoke strategy that will maximise income.

18.8 Key Finding

The Public Accounts Committee considers that the job titles for the new posts in the Chief Minister's Department and accompanying rationalisation for those posts to be lacking in sufficient detail to have allowed the States Assembly to make an informed decision about whether these posts were necessary.

19.2 Key Finding

The Public Accounts Committee is pleased to note the commitment to place remuneration details in the public domain.[4]

19.5 Key Finding

The role of the Treasury is to ensure there is challenge and also to ensure there is proper information available and an explanation of variances.

20.8 Key Finding

Outsourcing of services is accepted (with reservations) as a potential solution by the Interim Treasurer.

20.9 Recommendation

There should be a review of core Government activities, with areas of possible outsourcing identified and examined. This is a review that could, perhaps, be undertaken by the Comptroller & Auditor General in his independent capacity, as his role is free from political influence.

21.4 Key Finding

Accountability and responsibility is an issue at the heart of States Spending. As explored above, the lack of accountability has led directly to uncontrolled spending. Therefore, what could be more relevant to a review of the States Accounts?

21.8 Key Finding

Lines of financial responsibility remain unclear - leading to confusion and the spending of considerable sums of public funds which cannot be accounted for.

21.9 Recommendation

If lines of accountability are unclear, then changes need to be made in order that they become clear. Lines of accountability need to be defined beyond question. Chief Officers have to accept their responsibility to ensure their Departments are run efficiently. If areas of the States can be run more effectively in the private sector then it is the duty of the Chief Officer and Corporate Management Board to identify this.

3. The Overspend is a Matter of Fact

3.1 The Financial Forecast 2005-2010 gave a forecast net revenue expenditure of £478,000 million for 2009. The actual net revenue expenditure was well over £100 million above this.

[4] It has now been agreed that the annual Accounts will now include details of remuneration for all Accounting Officers, including pension details and related party information. However certain quasi independent roles will be exempt from disclosure.

3.2 Net Revenue Expenditure in 2009 exceeded the 2009 Business Plan by 16.74%. (i.e an increase to a spend of £602.68 million compared to the planned £585.94 million.)

3.3 This can partly be accounted for by the allocation of £44 million to the fiscal stimulus package. However, even discounting this figure, net revenue expenditure still increased substantially i.e. from £561 million to £603 million.

3.4 This was in part due to additional budget allocations made by the States. The States Assembly approved proposals that, ignoring the fiscal stimulus package, expenditure should rise substantially.

3.5 Key Finding
The Committee is concerned at the disparity between the predicted expenditure and the actual expenditure which would appear to demonstrate uncontrolled spending.

3.6 The graph below illustrates how forecasts of budgets for a particular year have increased through successive budgets. Thus the expected level expenditure for 2009 increased from £466 million when first forecast in the 2005 budget statement, to £546 million in the 2009 budget statement to actual expenditure of £603 million (which included the financial stimulus package).

Year of									*Budgets- £ million*	
account	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*
2001	343									
2002	363	375								
2003	381	394	394							
2004	398	414	414	408						
2005			435	424	423					
2006				438	433	441				
2007				450	444	454	474			
2008				462	455	457	492	505		
2009					466	480	507	525	546	
2010					478	490	518	546	563	586
2011							532	565	581	611
2012								583	598	620
2013									616	

[5]

3.7 In consideration of the above, the Public Accounts Committee considers it legitimate to question whether the States has controlled expenditure.

3.9 Key Finding
In 2009, the States overspent against forecast by over £100m based on the original financial forecast 2005-2010.

[5] Erratum: the figure '457' in line '2008 column '2006' should read '467'

4. Why was the Forecast Wrong?

4.1 The Committee asked the Chief Executive why spending had increased by so much over a relatively short period of time against forecast.

Senator B.E. Shenton:
Why do you think it has consistently understated final approved and actual spending?

The Chief Executive:
There are two main reasons. The plans when made and presented to the States for subsequent years were increased for two main reasons, inflation does not always follow plan and there is some element or there has been some significant element of inflation creep particularly around the level of pay awards when they have finally been settled and in some other areas. The major reason is that the plans looking forward for years do not take account of the decision that the States tend to make in the year before firmly finally agreeing the plan and there have been significant increases in expenditure decided by the States year on year when the Business Plan has come before them.[6]

4.2 Key Finding
The Chief Executive considers that the main reason for the overspend is because the States Assembly approves spending over and above what is contained in the Business Plan. Civil servants draft the Business Plan, but it is the States Members who debate and agree departmental cash limits, not Chief Officers.

4.3 We remained concerned that the forecasting system was inadequate, and decided to explore this issue in more detail, examining income from net income tax as a case study.

4.4 The comparison of budget to actual was examined in more detail in relation to the error made in the respect of Income Tax, where income from net income tax exceeded budget by £29.785 million and the updated forecast by £19.785 million.[7]

4.5 The updated forecast must have been prepared very late in 2009. At this time, the income for the year, one would have thought, would have been reasonably clear.

4.6 It is therefore puzzling that income tax receipts were understated by 4%. The Committee questioned the Deputy Treasurer about this:

Mr. M. Magee:
… how does the forecasting process work within Treasury? Specifically the item that is catching my eye is the net income tax, because what we have got for income tax per year is that originally we thought we were going to receive £478 million and then the updated forecast, and I would be interested to know what time that that updated forecast was done, had £10 million more but overall just under £508 million was brought in, so £20 million more than the updated forecast. It is really, I think from the perspective of that is not something that was from 4 years ago and forecasting forward, that is from like 5 minutes ago in my eyes ..it does not look as if projections were robust.

Deputy Treasurer of the States:
The updated forecast is done in mid-September, so that is when that is done and obviously the outturn is based on the end of December. The forecasting process is quite developed and takes into account as much information as we possibly know about the state of the economy and likely tax receipts that we are going to receive. There is a group that gets together to look at this, including economists, the thoughts of the Fiscal Policy Panel are

[6] Public Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010
[7] Financial Report and Accounts 2009 p 6

taken into account, the feedback that the Comptroller of Income Tax and others receive from companies and the economy generally are taken into account and there is a process of forecasting at a level lower than you see here so it looks at individuals in terms of ... not individuals but salary and wage earners, it looks at partnerships, it looks at businesses to predict what those tax receipts might be. In this particular case this is obviously something that we have been acutely aware of and wanted to understand why there is that change in outturn rather late in the year... there were a number of assessments done in the latter part of the year, the final quarter, 2 areas in particular generated a significant increase in tax, they were around some individuals largely 1(1)(k)s and (j) cats whose assessments ... the information from the assessments was only available in the last part of the year, and some partnerships who were making some quite significant increases of profits. Again, that was only available in the later part of 2009 to identify that. Those are the things that really drove that increase that was not predicted and we believe that certainly a portion of that increase is not likely to be recurring. A lot of it was one-off in 2009.[8]

4.7 Although the Committee accepts that there is a margin for error with any forecast, we asked whether a deviation of 4%, especially with a forecast prepared so late in the year, is too far off the mark:

Senator B.E. Shenton:
Is a 4 per cent deviation acceptable?

Deputy Treasurer of the States:
We try to get these forecasts as accurate and as reliable and as robust as possible. There is no guarantee for forecasts, by its very nature it is a forecast, we have to make assumptions on areas where there is a lack of certainty. We do our utmost to get them as accurate as possible but I cannot sit here and give you a guarantee that this year's forecast will be within 1 per cent, 2 per cent, 4 per cent or any other particular figure, all I can assure you is that it is a robust process and every effort is made to make it as reliable as possible.[9]

4.8 Key Finding
Even allowing for unpredictable factors, the financial forecast underestimated spend by an unacceptable level.

4.9 It is self evident that the accuracy of taxation revenue estimates must be improved. Therefore we need to ask questions about what steps are being taken to make such improvements.

4.10 No such assurances were received at the hearing however:

Deputy Treasurer of the States:
We are certainly open to any suggestions that would help us improve the accuracy. Any opportunity that there is to get better information, to make the assumptions more robust and reliable, would be welcomed. We would welcome them and incorporate them into the process.[10]

4.11 Key Finding
At the Hearing, the Deputy Treasurer did not provide the Committee with any information about any plans to improve the financial forecasting process. The Public Accounts Committee considers this indicative of a lack of focused motivation for improvements within the Treasury Department.

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[8] Public Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010
[9] ibid
[10] ibid

4.12 Recommendation
The importance of accurate financial forecasting cannot be under-estimated. A maximum deviation of 2% should be the goal and there should be an annual review of forecasting accuracy with a detailed analysis of circumstances where a 2% deviation is breached. This should be published by the Minister for Treasury and Resources.

4.13 In light of the above uncertainties surrounding financial forecasting, there can be little confidence in undertakings such as the Comprehensive Spending Review, the success or failure of which will stand or fall on accurate financial reporting

5. Responsibility and Accountability

5.1 Before drilling down into the details of the Accounts, the Committee addressed the overarching concern - who exactly *is* responsible for States Spending?

5.2 Who signed the Financial Report and Accounts 2009?

5.3 The Committee expressed its disquiet that the Interim Treasurer did not sign off the Accounts, and that the Deputy Treasurer did so in his stead.

Senator B.E. Shenton:
Why did you sign off the accounts, Deputy Treasurer?

Deputy Treasurer of the States:
I signed off the accounts because it was delegated to me by the Interim Treasurer of the States to do so.

Senator B.E. Shenton:
Why did not the Interim Treasurer feel that he could sign them off?

Deputy Treasurer of the States:
To be honest, that is probably a question better asked of the Interim Treasurer than myself.[11]

5.4 The Deputy Treasurer went on to quote verbatim the Acting Treasurer's reasons for not signing the Account:

Senator B.E. Shenton:
You did not ask him? When he asked you to sign off you did not ask him why he could not sign them?

Deputy Treasurer of the States:
I absolutely did and he explained it to me and I can tell you exactly why but I thought you would probably want to ask him directly. Perhaps I could read out the exact reason so I do not misquote him: "I make this delegation because I believe it is not appropriate for me to sign the States 2009 Accounts and letter of representation as I was not working at the States of Jersey for any part of 2009 and therefore I have no understanding or knowledge of the accounting transactions and other financial activities that took place during this period.

5.5 The Chief Executive explained that the decision for the Interim Treasurer not to sign the Accounts was one of efficiency:

[11] Public Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010

Chief Executive:

The judgment was taken that we have an Interim Treasurer in place who was recruited initially, if you remember, to run the Treasury improvement plan and to improve financial management and reporting and forecasting processes. We felt that it would not be a good use of his time to divert him into having sufficient background knowledge and understanding to when he was appointed as Interim Treasurer to then sign the accounts. That would not have been good use of his time.[12]

5.6 In a letter to our Committee subsequent to the above hearing with the Deputy Treasurer, the Interim Treasurer himself said:

I should point out that the brief I was given when I was initially appointed in February 2010 as Interim Director of Finance did not include responsibility for the 2009 Accounts…I was not appointed as Interim Treasurer of the States and Accounting Officer until 23rd April 2010, by which time the 2009 Accounts were largely finalised. <u>My understanding and knowledge of the Accounts is therefore quite limited.</u>[13]

5.7 The two reasons given above for the Interim Treasurer not signing the Accounts were therefore:

i) it was not regarded as an effective use of his time.
ii) He was not in post for the period of time covered by the Accounts.

5.8 The Public Accounts Committee does not fully accept either of these explanations.

5.9 In the private sector, it is not unusual (in fact it is normal practice) for a Financial Director (which the Treasurer effectively is) to be asked to take on responsibility for a set of Accounts relating to a period of time that he was not in post. The usual procedure is for the financial director to undertake due diligence and also to undertake the necessary work to satisfy himself that the Accounts are in order.

5.10 Within his letter above, the Interim Treasurer confirms he is the Accounting Officer, but in the same breath says he is not responsible for the Accounts.

5.11 Key Finding

The 2009 Accounts effectively have no Accounting Officer. It is the opinion of the PAC that the Interim Treasurer should have signed the Accounts.

5.12 The Committee is concerned at the implication of this thinking for next year's Accounts. Using the same logic, the next Treasurer would also be unable to sign the 2010 Accounts as he will not have been in post during 2010. The Committee expressed its disquiet at what happens to accountability then.

Senator B.E. Shenton:

Do you think that is acceptable? One assumes that the new Treasurer will sign off the accounts next year; he will not have been working during 2010. Will you sign them off next year?

The Chief Executive:

I think it is best if I answer this one. The acting Treasurer did go on to say, and it is important to know, that he confirms there are no reasons he is aware of that would impact on the truth or fairness of the 2009 accounts, would impact on the auditors' opinion of the accounts or should prevent the Deputy Treasurer from signing the accounts. So he makes those statements.

[12] Public Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010
[13] Letter from the Interim Treasurer to the Public Accounts Committee, 16th September 2010

Senator B.E. Shenton:
The Interim Treasurer has not signed the 2009 accounts and he will not sign the 2010, so where is accountability once he has moved away?[14]

5.13 Recommendation
The responsibilities of the Treasurer remain unchanged, whether full time or temporary. It should be mandatory that the Accounts of the States of Jersey must be signed by the Treasurer. Next year's Accounts must be signed by the individual holding the post.
N.B the Public Accounts Committee has now been informed that it is understood that the new treasurer will sign the 2010 Accounts.

6. Accountability within Home Affairs

6.1 The Public Accounts Committee report on the 2008 Accounts highlighted the financial mis-management (and subsequent overspend) within Home Affairs. This was due to the fact that the Chief Officer for Home Affairs was also the Accounting Officer, yet the Chief of Police was not answerable to him. This meant there was an ambiguity around financial accountability meaning that significant funds had effectively no Accounting Officer.[15] The weakness of structure in this area was identified at an early stage of Ministerial Government. The failure to implement a solution with some urgency resulted in significant spending being undertaken outside the control of any Accounting Officer, and without implementation of the prudent checks and balances that you would find in the most basic business. Indeed the Comptroller and Auditor General first brought these serious weaknesses to the attention of the Chief Executive in 2006.

6.2 The Comptroller & Auditor General outlined the problem thus:

The fundamental problem caused by the conflict between the Accounting Officer's personal responsibilities created by the Public Finances Law and the importance of safeguarding the operational independence of the Police.[16]

6.3 While the Public Accounts Committee acknowledges that there now exists a memorandum of understanding which goes some way to preventing this situation arising again, we consider that this does not go far enough**.** In fact, the Public Accounts Committee report into the 2008 Accounts expressed concern regarding the lines of accountability within Home Affairs, and recommended the setting up of an independent Police Authority which would provide an oversight function, ensuring that the force complies with the highest standards of governance.[17]

6.4 Key Finding
Although the situation regarding confusion of lines of accountability in Home Affairs has been improved, there is still potential for financial mis-management.

6.5 Recommendation
A Police Authority should be established as a matter of urgency. The lack of an accountable structure at Home Affairs is not sustainable.

[14] Public Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010
[15] P.A.C 1/2010 p 33
[16] Report by the C&AG: Historic Child Abuse Enquiry - Report under the Public Finances (Jersey) Law 2005 July 2010 p 5
[17] P.A.C.1/2010 p 37

6.6 Recommendation

The financial management structure within Home Affairs is seriously deficient and a cause of major concern. It is difficult to understand the lack of urgency to redress this unacceptable situation. Ultimate responsibility for ensuring necessary controls are in place lies with the Chief Executive, the Treasurer and the Minister for Treasury and Resources. In respect of this serious weakness, each must step up to the plate and ensure the current unacceptable position is rectified.

6.7 In the Public Hearing, the Interim Treasurer indicated that he agreed with this recommendation:

Interim Treasurer:
I am aware that there is a view held by a number of senior individuals that the Chief of Police should become an accounting officer separately from the Chief Officer for Home Affairs. My view is that that would be the right thing to do… I would hope that when a new Chief of Police is appointed that in due course the new Chief of Police can become an accounting officer. The discussions I have been involved in have also considered the role of a police authority, which is an entity that exists in the U.K. involved with the police. Again, I think that would be a good idea here.

6.8 Recommendation

The Chief of Police should be an Accounting Officer. However, there must be a clear segregation of duties between responsibilities as Accounting Officer and operational issues. Clearly, it would be wrong for the PAC or any other body to interfere with operational matters.

7. Overspend in Home Affairs

7.1 This Department spent its revised budget exactly.[18]

7.2 It could be inferred that additional budget was allocated to meet expenditure requirements. i.e it suggests that the approved budget was overspent and then the overspend eliminated by a retrospective allocation.

7.3 The Committee asked for clarification:

Senator B.E. Shenton:
So what was the actual overspend on Home Affairs?

The Chief Executive:
Again, if I can just say, I think the use of the word "overspend" is really not a helpful description because there has not been an overspend. Home Affairs spent within the cash limit approved by the States.

Senator B.E. Shenton:
To the penny. They spent to the penny the cash limit approved by the States.[19]

7.4 So the Chief Executive's take on this seemed to be that if the overspend was approved politically, then it was not technically an overspend:

[18] Financial Report and Accounts 2009 p6
[19] Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010

The Chief Executive:
No, no. The 118 request provided an overall spend for the additional costs for the Historic Child Abuse Enquiry in particular, and that was then allocated across Departments but only allocated to the extent that expenditure had occurred, not necessarily to the total forecast. So the point I am making is if the States approves a sum of money then it is an officer's duty not to exceed that sum of money and therefore if the sum of money is increased by the States in my terms, in management terms, that does not imply an overspend. It would be an overspend had we spent, in addition to the sum that was approved.[20]

7.5 Key Finding
In the Chief Executive's view, if an overspend is approved by the States Assembly, then it is not an overspend. This is unacceptable. Any requests in excess of the original budget should be treated appropriately.

7.6 Recommendation
The Financial Report and Accounts should clearly show the original approved budget.

7.7 The Interim Treasurer's view seemed somewhat at odds with this, He was quite clear: an overspend is an overspend.

Interim Treasurer:
My understanding is that there was a fund controlled by the Treasury related to the historical child abuse issues and sufficient money was released from that fund to cover the overspend that had occurred in Home Affairs. It is the same issue with court and case costs which, as I am sure you are aware, has not been well controlled. When we raised the section 118 request recently we made a commitment that from henceforth we would ensure there is sufficient budget for court and case costs; therefore, there is no reason for there to be an overspend ongoing; therefore, budget holders in that area have to act the same as budget holders in every other area and stay within their budgets. It clearly was accepted that the accounting officers could overspend in certain areas, not just in Home Affairs but in related Departments involved with court and case costs in particular, and it is clearly unsatisfactory that that was ever accepted. ***In my book, you just must never allow budget overspends.***

7.8 The Committee asked exactly how this approval happened: The answer forthcoming was essentially that the extra money was the responsibility of politicians:

Mr. M. Magee:
I guess to answer the question what we are really saying is it was £45 million, £4 million was in effect voted by the politicians so we get £49 million.

The Chief Executive:
That is right and that is where it all comes from.[21]

7.9 So the Chief Executive blames politicians for the extra money being spent. But it is clear that much of the extra money had already been spent before the 118 request.

7.10 The Deputy Treasurer elaborated, saying that the extra funds for Home Affairs had been arrived at by a combination of States Assembly decisions and Ministerial Decisions (presumably decisions made on Chief Officer's professional advice):

Senator B.E. Shenton:
So when was the additional net amount of £3,903,713 brokered for Home Affairs?

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[20] Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010
[21] ibid

Deputy Treasurer of the States:
Each individual line on that table will be subject to separate decisions. They will all either have been decisions of the States or public Ministerial Decisions, depending on what the nature of the issue was.

Senator B.E. Shenton:
So the budget was increased, in some cases, by Ministerial Decision, is that what you are saying?

Deputy Treasurer of the States:
The overall budget cannot be increased by Ministerial Decision, it can only be transferred from one area to another.

7.11 Therefore politicians had sometimes been placed in a position where they had little choice but to agree retrospectively to the extra funds:

Senator B.E. Shenton:
You say that Accounting Officers will be responsible if they overspend but Accounting Officers ... the reality is Accounting Officers do overspend quite regularly and we use financial smoke and mirrors to bring it back in line. Now, we either use a 118 request where the States politicians are basically told: "If you do not pass this the Accounting Officer will end up in La Moye" or something like that. The money has been spent. We do not as politicians really have much choice. [22]

7.12 Key Finding
Politicians are sometimes placed in a position where they are forced to approve the extra funds which have already been spent. Therefore it is not strictly true to say it is the States Assembly which is accountable for this spending.

7.13 Key Finding
It is sometimes unclear how much of the extra funds were approved by the States Assembly and how much by Ministerial Decision. Particularly when the movement of funds by Ministerial Decision is usually reported to the States many months after the event.

7.14 Recommendation
118 requests for extra funding should not be made retrospectively. The States Assembly should look to reject 118 requests where the funds have already been spent despite the consequences. Departments should look for authority before they spend money. The Financial Report and Accounts should clearly show the approved budget, any cross-ministerial transfers, and detailed actual spend as an appendix to the Accounts.

8. The Role of the Chief Executive

8.1 Within the Chief Executive's Job Description, he is charged to:

'Act as principal adviser to the Chief Minister and the Council of Ministers on all matters within the Council's remit, including the formulation of strategic plans and policies, and ensure that policy objectives set by the Chief Minister and the Council of Ministers are met and that the executive government of the island is discharged efficiently and effectively.

[22] Public Hearing with the Chief Executive and Interim Treasurer, 20th September 2010

'To 'provide, and ensure the provision of, all necessary support to the Chief Minister and the Council of Ministers, so that the machinery of Government in the island operates smoothly and effectively, based on well-founded decision making.

As head of the Public Service and with the support of the director of HR and, as appropriate, the CMB, ensure the provision of all relevant leadership and management functions and responsibilities and that sufficient and appropriate human, intellectual, information and ***financial*** *resources are in place to enable proper and effective conduct of government, and the good management of public service as a whole.*[23]

8.2 The Committee questioned him about his job description.

Senator B.E. Shenton:
So who effectively in your opinion is charged with controlling overall spending of the States of Jersey?

The Chief Executive:
That is an extremely good question. I think you now have to come back to the different laws and the interaction of those laws? <u>The job description you have for me was put together in 2002 on the back of P.120 before the States had enacted the States of Jersey Law and the Public Finances (Jersey) Law, and there were some very specific changes made as those laws were enacted which undermined the ability of either the Chief Executive or the Council of Ministers to control or to be accountable for total spending in those terms.</u> Under the States of Jersey Law the removal of collective responsibility from the Council of Ministers effectively made each Minister as a corporation independently responsible for their own political functions. The Public Finances (Jersey) Law, with the creation of accounting officers, each accounting officer being solely and personally responsible for the proper and effective control and spending of the resources within their cash limit denied the ability of any one individual or any one body to have total overall control unless that body is the States.

Senator B.E. Shenton:
You use the word "undermined"- you are implying that the way we have set up ministerial government has led to no one, in effect, being in overall responsibility of total States spending.[24]

8.3 Recommendation
The Chief Executive's job description is out of date and requires updating. The Public Accounts Committee would expect the Chief Executive to be a driver of change in this respect where weaknesses have been identified. The Public Accounts Committee is disappointed that known weaknesses in the Public Finances Law have failed to be addressed.

8.4 Key Finding
The Public Finances (Jersey) Law 2005 has undermined the ability of the Chief Executive to control or be accountable for spending.

8.5 In a similar vein, the Interim Treasurer discussed the way in which the Chief Executive has no real power over the Chief Officers, and stated that it might be useful for the Chief Executive to be given more codified powers:

Interim Treasurer:
Well, the Chief Executive is in, again, an unusual position in Jersey because in strict terms the Chief Executive is only the Chief Officer to the Chief Minister's Department, to the Chief

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[23] Job Description of the Chief Executive of the States of Jersey
[24] Public Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010

Minister himself. So, as far as I am aware there is nothing in law that gives the Chief Executive direct authority over each chief officer. The Chief Officers are strictly reporting to the Ministers. But there are functions such as the States Employment Board that are, I think, a factor in the Chief Executive's authority over the rest of the States functions. I think it is another area that Jersey could well give consideration to whether not only does the Treasurer have the right specified authority but does the Chief Executive.[25]

8.6 Later, the Interim Treasurer explicitly stated his suggested solution to the problem:

Interim Treasurer:
I think the intention is the Chief Executive should have authority over Chief Officers and that is how I deal with the relationship. I think that is the only sensible way of making it work.[26]

8.7 If the Chief Executive of the States of Jersey was instead the Chief Executive of a private company, his position would be untenable if spending plans had been so blatantly flouted without action being taken. It would ultimately be his responsibility to ensure prudent financial management was implemented.

8.8 Key Finding
The Chief Executive has no direct authority over each Chief Officer. This, combined with the removal of collective responsibility from the Council of Ministers, means that the Chief Executive is unable to be any more than an implementer.

8.9 Recommendation
Lines of accountability should be codified, with the Chief Executive having direct authority over the Chief Officers. This may require a change to the Public Finances (Jersey) Law 2005.

9. Potential Conflict Regarding Financial Management

9.1 There have been occasions where a Chief Officer's advice has not been followed by the Minister.

9.2 In this scenario, the Chief Officer in question could quite legitimately argue that at this stage, he would no longer be accountable for the decision or for any subsequent overspend resulting from it.

9.3 The Public Hearing with the Chief Executive highlighted an example where the Chief Officer's advice was not taken:

Senator B.E. Shenton:
Going back to Early Years, your job then is to make sure that the decisions of the States are implemented. The decision of the States on Early Years was 20 hours free and the Minister decided to give 30 hours free in the public nurseries, which is not particularly efficient. Where do you come in on a decision like that where the Minister decides to go beyond the policy agreed by the States?

The Chief Executive:
The Minister is free to make that decision and that is the policy that is implemented.

[25] Public Hearing with the Interim Treasurer, 20th September 2010
[26] ibid

Senator B.E. Shenton:
Even if it is inefficient you have no say in that?

The Chief Executive:
It is not my job to take a view on that.[27]

9.4 But earlier, the Chief Executive had confirmed that this Ministerial Decision was made without his advice:

The Chief Executive:
There were a lot of discussions and debates about whether (Early Years nursery care) should be fully funded by the States, whether there should be means-tested benefit structures, how much of it should be private, how much of it should be public, how much be set in the context of the States schools. I am sure if you had approached this as an efficiency expert and an organisational management expert you probably would not have arrived at the universal public-funded structure that we have.

Senator B.E. Shenton:
Is that the advice that you gave?

The Chief Executive:
No, that was not the advice.[28]

9.5 Key Finding

There have been instances where the Minister has gone against Officers' advice, but this has not actually been formally minuted. Therefore the Accounting Officer can simply say "Well, that was not the advice I gave." It means that the Accounting Officer cannot be held to account and the Minister does not have to explain his actions.

9.6 Recommendation

A Chief Officer's advice should be routinely and formally placed on the public record, in particular when the Minister does not follow the advice.

9.7 If a Chief Officer considers that a Minister's decision is not in the interests of efficiency or value for money, it appears from the above exchange that the current position could result in the following scenarios in Jersey:

i) Automatic acquiescence to the Minister's wishes (therefore an offloading of responsibility for the decision by the Chief Officer)

ii) A lack of formal public knowledge that the advice was not followed, or - as in this case, we do not know what the original advice even was.

iii) The Treasurer is not obliged to step in and remedy the situation in the interests of prudent fiscal management. In fact, as we shall explore further on in this report, the Treasurer would not necessarily even be aware about the situation if it lay outside of the Treasury.

Senator B.E. Shenton:
I understand also in the U.K., for example, where a Minister goes against Chief Officers' advice, he has to make a written statement as to why he has gone against that advice and that becomes a public document, is that correct or not?

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[27] Public Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010
[28] ibid

Interim Treasurer:
I think broadly it is correct and I think broadly the same would apply here. Certainly on the odd occasion when the Minister for Treasury and Resources has chosen not entirely to follow Officers' advice, then the written ministerial decision does record the reasons why, and I think that is the correct and proper thing to do. <u>I cannot say that happens in every Department,</u> but certainly in the Treasury that is what happens.[29]

9.8 Key finding
The Treasurer has no obligation to get involved where there is a disagreement in Department outside of the Treasury. Therefore, there is not necessarily a public Ministerial Decision to record when there is a disagreement in a Department outside of the Treasury.

9.9 The Public Accounts Committee notes that some Departments publish many more Ministerial Decisions than others. This indicates a subjective interpretation of what is a decision and what is not.

9.10 We also observe the obvious yet vital fact that it may not always be expedient for a Chief Officer to approach the Treasurer about a dispute with his Minister - it may well be detrimental for their ongoing relationship. Therefore if there is no obligation to do so, it is unlikely to happen.

9.11 Recommendation
It is important to establish what happens (or what should happen) when a Minister decides to pursue a course that his Chief Officer considers fiscally or operationally unwise, if this course of action means that the Chief Officer cannot reconcile it with his responsibilities under the Public Finances (Jersey) Law 2005.

9.12 This situation exposes a weakness in the Public Finances (Jersey) Law 2005.

9.13 The issue was raised by the Comptroller & Auditor General in his report on the Law:[30]

The 2005 Law does not explicitly specify how such disagreements may be resolved although it does confer on the Treasurer the responsibility for ensuring the proper stewardship of the public finances of Jersey. This may be thought to imply that in cases of disagreement it may be appropriate to refer the matter to the Treasurer.[31]

9.14 In other words, there is no clear guidance within the Law as to how to act when there is a disagreement between a Chief Officer and his Minister. And although the Law implies that the help of the Treasurer should be sought, this is not an instruction.

9.15 However, Financial Direction 2.2 (which deals with the responsibilities of Accounting Officers), **does** give clear direction about this situation:

In instances where a minister in charge of a department is contemplating a course of action involving a transaction which is considered to infringe the requirements of propriety or regularity, or which relates to the accounting officer's wider responsibility for economy, efficiency and effectiveness, the accounting officer should set out in writing their objection to the proposal, the reason for the objection and their duty to notify the Comptroller and Auditor General should their advice be over-ruled. If the minister decides to proceed the accounting officer should seek a written instruction to this effect. On the receipt of such an instruction the accounting officer must copy it to the Treasurer and the Comptroller and Auditor General. On the assumption that this procedure has been followed the Public

[29] Public Hearing with the Interim Treasurer, 20th September 2010
[30] Report by the C&AG: Public Finances (Jersey) Law 2005 A Review in the Light of Experience p 23
[31] ibid

Accounts Committee can be expected to recognise that the accounting officer bears no personal responsibility for the transaction or action.[32]

9.16 In central Government in London, the Comptroller & Auditor General explains that the process is much more straightforward:

Where an Accounting Officer of a Government Department considers that a Minister is contemplating a course of action that would be likely to infringe financial propriety or regularity, or the Accounting Officer's wider responsibilities for economy, efficiency and effectiveness, it is the duty of the Accounting Officer to so advise the Minister. If that advice is then overruled the Accounting Officer will be required to seek a written Direction from the Minister to enable that action to be carried out. If such a Direction is issued by the Minister, the Accounting Officer must comply with it but must also notify the Treasury and pass the relevant documents to the Comptroller and Auditor General as soon as possible.[33]

9.17 Key Finding

Currently, if a Chief Officer's advice is not followed there is not always a formal and public record of the decision, and the Treasurer is not obliged to become involved or even always alerted to the situation. Although Financial Direction 2.2 does state that a written instruction should be issued where there is a conflict, the Committee is only aware of one instance in the last five years where this has happened.

N.B. The Comptroller & Auditor General has written to the Chief Officers of all Departments in order to ask whether Financial Direction 2.2 section 5.21 has been always been followed.

9.18 Recommendation

Where a Minister and Chief Officer disagree about a course of action, the UK Central Government model should be strictly followed with no exceptions. This would be a process which would actively involve the Treasurer and a written direction from the Minister. Notification should also be made automatically, with no exceptions or delays, to the Chief Minister, the Chairmen's Committee and the relevant Scrutiny Panel.

10. The Council of Ministers and Collective Responsibility

10.1 After stating that the Chief Executive should have direct authority over the Chief Officers, the Interim Treasurer made a direct parallel with the Council of Ministers, where the Chief Minister cannot impose his will on the others. He concluded that neither situation was ideal:

Interim Treasurer of the States:
It is a bit like the issue in the Council of Ministers with the Chief Minister not having the authority that one would be used to seeing elsewhere. It seems to be the Jersey way, really, but I think it could be improved and that might be beneficial.[34]

10.2 Our Committee agrees with the Interim Treasurer's parallel, and with his conclusion.

10.3 If Chief Officers (and ultimately the Chief Executive) can only offer 'advice' and have no authority, then it can be argued they have no accountability.

10.4 Similarly, the Chief Minister cannot enforce his will on the Council of Ministers, who are individual corporation soles and have no collective responsibility (and therefore no real accountability).

[32] Financial Direction 2.2. Section 5.21
[33] Report by the C&AG: Public Finances (Jersey) Law 2005 A Review in the Light of Experience p 23
[34] Public Hearing with the Interim Treasurer, 20th September 2010

10.5 Even the decisions of the Council of Ministers can be over ridden by the States Assembly- again a collection of disparate individuals with no collective responsibility.

10.6 An unintended consequence of Ministerial government is the lack of collective responsibility in the Council of Ministers, with each Minister being a Corporate sole, fighting fiercely for his budget. A shared approach to fiscal management simply does not work; there are no incentives for individual ministers to act in a fiscally responsible fashion.

10.7 Key Finding
The cumulative effect of confused lines of accountability is that nobody is responsible for States Spending.

10.8 Recommendation
Lines of Accountability need to be defined beyond doubt. The position of collective responsibility within the Council of Ministers needs to be re-examined. Whilst this is ultimately a political decision, the Public Accounts Committee feels that from a purely financial perspective, controlling spending where no collective responsibility exists will be extremely difficult.

11. The Public Finances (Jersey) Law 2005 and Accountability

11.1 The problem appears to be around central accountability. The Public Finances Law is very prescriptive about Departmental Controls but not about central responsibility.

11.2 In his report on the Public Finances Law, the Comptroller & Auditor General stated:

It is unsatisfactory that the 2005 Law is precise in its description of Departmental responsibilities but silent on States-wide control and responsibilities.[35]

11.3 The Public Finances Law is not helpful in this regard, because it is specific about Departmental responsibilities but ambiguous about States wide financial control.

…it can be seen from the Statement on Internal Control published with the annual accounts of the States of Jersey that the States do not consider that the States have a single system of internal control that applies to all Departments, but have parallel Departmental systems of internal control. This also is unfortunate since it militates against effective overall control of the States' financial affairs and in particular of spending.[36]

11.4 Key Finding
Governmental Departments are operating in silos, and the Public Finances Law does little to guard against this

11.5 Recommendation
(Quoted from the Comptroller & Auditor General)
Article 30 of the Public Finance Law should be amended in order to oblige Accounting Officers to comply with Financial Directions. Alternatively, if the status of Financial Directions were to be re-considered, Accounting Officers should be obliged to follow the guidance issued by the Treasurer, whatever form that guidance may take.[37]

11.6 The Chief Executive agreed that the Public Finances Law did not help to define responsibilities:

[35] Report by the C&AG Public Finances (Jersey) Law 2005, A Review in the Light of Experience, p 15
[36] Report by the C&AG: Public Finances (Jersey) Law 2005 A Review in the Light of Experience p 22
[37] ibid

Senator B.E. Shenton:
So who effectively in your opinion is charged with controlling overall spending of the States of Jersey?

The Chief Executive:
That is an extremely good question. I think you now have to come back to the different laws and the interaction of those laws? The job description you have for me was put together in 2002 on the back of P.120 before the States had enacted the States of Jersey Law and the Public Finances (Jersey) Law, and there were some very specific changes made as those laws were enacted which undermined the ability of either the Chief Executive or the Council of Ministers to control or to be accountable for total spending in those terms. Under the States of Jersey Law the removal of collective responsibility from the Council of Ministers effectively made each Minister as a corporation independently responsible for their own political functions. The Public Finances (Jersey) Law, with the creation of Accounting Officers, each accounting officer being solely and personally responsible for the proper and effective control and spending of the resources within their cash limit denied the ability of any one individual or any one body to have total overall control unless that body is the States.

Senator B.E. Shenton:
You use the word "undermined", you are implying that the way we have set up ministerial government has led to no one, in effect, being in overall responsibility of total States spending.[38]

11.7 Key Finding
Ministerial government has been set up in such a way that in effect, nobody is responsible for States spending. Furthermore, the weakening of responsibility and accountability for spending in respect of Chief Officers is enshrined in law.

11.8 Recommendation
The Public Finances (Jersey) Law 2005 should be changed in order to strengthen the independence and powers of the Treasurer.

12. The Impact of Ministerial Government on Spending

12.1 Given the above, it is no surprise that progress since the inception of Ministerial Government has been inversely proportional to controlled spending.

12.2 It is evident that net revenue expenditure has accelerated since the introduction of Ministerial Government. The increase is particularly noticeable when compared to Guernsey.

12.3 It is therefore very difficult to envisage how spending will be brought under control while this situation continues, without a fundamental re-structure of Government.

12.4 The Chief Executive echoed this outlook:

The Chief Executive:
… if the States wishes the States organisation to be a corporate body run along more normal corporate lines where you would have a management board and a chief executive that would have those responsibilities and those accountabilities then to be held to those

[38] Public Hearing with the Chief Executive and the Deputy Treasurer, 16th August 2010

accounts, then you would have the Treasurer in a more normal role of a corporate treasurer. ***If that is the decision then really you should change the structure.***[39]

12.5 Key Finding
A fundamental re-structuring of government is required if spending is to be controlled.

12.6 Recommendation
The States must embrace the role of the Treasurer in its purest form – as an independent Treasurer appointed by and responsible to the States Assembly. The Treasurer should have the freedom to comment independently on Propositions, where appropriate, in respect of the financial implications.

13. What are the Key Risks facing the States of Jersey?

13.1 The Committee notes that the Corporate Management Board have prepared a corporate risk register i.e. a register of the risks facing the States. The aim being to put measures in place to guard against those risks.

Senator B.E. Shenton:
What do you see as the key strategic risks identified by the C.M.B. (Corporate Management Board)?

The Chief Executive:
The key strategic risks. We do have a risk document, we have identified them. I have not brought it with me so I am working from memory.

Senator B.E. Shenton:
You can provide it?

The Chief Executive:
I can provide it to you. It depends which year you were looking at. If you are looking as at now clearly the key risk is one we were talking about before around the Comprehensive Spending Review and the States' ability to maintain its revenues and services at the same time as protecting the Island's economy and the Island's future and sustainability. That tops the list, I can tell you.

13.2 This appears to us to be a diplomatic way of saying that the biggest risk is politicians' failure to set and adhere to spending limits.

13.3 The Committee asked the Chief Executive what could be done to counter this risk.

Senator B.E. Shenton:
That is the key risk at the top of the list. How does the Corporate Management Board seek to mitigate or guard against this risk?

The Chief Executive:
That one as at now is to ensure that we provide the best advice we can to Ministers and Members of the States about the implications of their decisions - and we were talking about that before - and also to ensure that those options are realistic and practical and achievable.

13.4 Yet again, the suggested solution comes back to 'advice.' But, as explored above, advice is not a mandate. Politicians are free to spend as they wish.[40]

[39] Public Hearing with the Chief Executive and the Deputy Treasurer, 16th August 2010
[40] The Deputy Treasurer responded thus to this comment: "Financial Direction 2.2 sets out the procedure to inform the Treasurer and the C&AG where a Minister issues a written instruction. The published guidelines

13.5 Key Finding
In the view of our Committee, politicians failing to adhere to spending limits is not the only risk facing the States. The lack of accountability of Chief Officers is also a risk, as is the failure of the Treasurer to act with the independence that the role demands.

13.6 There is an important distinction between the setting of spending limits by politicians and the way in which Chief Officers deliver policy. The latter is firmly the responsibility of the Chief Officers.

13.7 Chief Officers often offload responsibility by citing the money spent as a political decision, but as Accounting Officers they should be responsible for how the funds are spent.

13.8 If they are not, then they are not managers at all, but only implementers:

Senator B.E. Shenton:
I was trying to understand where your role is, because the States make all the decisions. Are you an adviser rather than a manager?

The Chief Executive:
I have fundamentally 3 roles. I am the adviser to the Council of Ministers on matters where the Council of Ministers needs to take decisions and actions and I am their adviser. When charged to do so - I am not trying to pass responsibility but that is important, when charged to do so - I am responsible for implementing those decisions. I regard that as a key role.
I am the accounting officer for the Chief Minister's Department and therefore the adviser to the Chief Minister, an Accounting Officer in all senses for the Chief Minister's Department, and that is another role. I am the Chairman of the Corporate Management Board which, as I have explained to you, is not a board in the normal corporate sense of a board for an organisation. It is the board of the Chief Officers for the Departments. I believe you have seen the role of the Corporate Management Board which is itself to provide corporate advice through me to the Council of Ministers to ensure that Departments do co-ordinate their work and do work together and as far as possible avoid, as we have said, a silo mentality creeping in, and in that same role on behalf of the States Employment Board to implement their employment decisions and their employment practices.[41]

13.9 Key Finding
The Chief Executive's role does not mirror that of a Chief Executive of a corporation as he appears not to have the equivalent level of responsibility or accountability.

13.10 Recommendation
Given the admission that the role of Chief Executive is limited to that of advisor and implementer – and that ultimately the politicians carry the bulk of the responsibility – the terms and conditions of senior civil servants should be reviewed to reflect the lower level of responsibility.

13.11 The Chief Executive was very clear that despite what his personal views may or may not be, the States was and is ultimately responsible for the decisions in spending, and therefore for the overspend:

(available from the States Greffe) on Ministerial Decisions explain when a decision should be recorded and that it is inappropriate for Ministers to take decisions without receiving advice from Officers (page 4)." The implication – given the lack of instances whereby actions against advice given has been recorded – is that the increased spending was indeed made on the advice of the Accounting Officers. Therefore, some responsibility for this overspend must lie with the civil servants that provided this advice.

[41] Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010

Chief Executive:
I have lots of personal views and I can offer lots of advice and I can offer lots of professional advice to the appropriate people in the appropriate bodies. Ultimately the States has determined that they wish to have the style and a structure of government as it is now in place and they have put in place the laws to make that happen, particularly the States of Jersey Law, the States Employment Law and the Public Finances (Jersey) Law. Those 3 laws together create the structure that we are working within and they are an implementation of a States' desire and a set of States' decisions.

Mr. M. Magee:
Probably when they did that they did not know what the outcomes would be, so therefore why can you not change it?

Chief Executive:
I do not think I would wish to suggest that. I would say that the key decisions which have created this structure were debated at great length in the States when these decisions were made and alternative views were put forward by different proponents of different sides and the decisions were made after that thorough debate and with the advice about the implications of those decisions when they were taken by the States and you have what you have as a result of it.[42]

13.12 Our Committee challenged this position, asking the Chief Executive what he would do if he felt efficient fiscal management was being compromised:

Mr. A. Fearn:
… with regards to the Corporate Management Board their responsibility, as defined in the profile, is being the efficient management and execution of government business. So, hearing your description about providing advice to the Council of Ministers, if the current arrangement you feel would have a conflict between what is currently going on and the efficient management and execution of government business how would you manage that? Is that something that you feed back as advice to the Council of Ministers?

13.13 The Chief Executive stated in reply that if efficiency measures were brought in to mirror a more corporate approach, then the net result would be a radical shift in the way public services were provided:

The Chief Executive:
Here is a thought. Efficiency is probably not a totally objective construct. You have to consider and define efficiency in the context in which you operate, which in any society is different. Jersey is a specific society and through the States has determined that it wishes to have a certain style of government and certain style of organisation and I interpret efficiency in that context, and that is how I interpret it. Whether that style of government should be changed and if as a result of it you could have a much more efficient organisation and if you created something along the lines of a multinational corporate structure or a major corporate structure then you might have a very different nature of efficiency but you might also have some very significantly different service-based decisions and a very significantly different service structure. At the end of the day, the Island has decided it wants a certain structure and that is what we deliver.

13.14 …but this hypothetical transformation would not be his decision to make.

13.15 Again, using this logic, the Chief Officers (and ultimately the Chief Executive) are not responsible for efficiency in spending in a centralised sense.

[42] Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010

Senator B.E. Shenton:
So you are responsible for the overall efficiency of the States but you are not responsible for any individual constituent parts and the efficiency thereof?

The Chief Executive:
I am responsible for the efficiency within the context as I have just described it.[43]

13.16 Key Finding
It is States Members who debate and approve Departmental cash limits in the Annual Business Plan, not Chief Officers. The Public Accounts Committee notes that in 2009, the States Assembly approved proposals that, ignoring the fiscal stimulus package, expenditure should rise by about 10%.

13.17 Whilst acknowledging the role of States Members in approving extra spend over and above budget, the Public Accounts Committee considers that this does not absolve Chief Officers of responsibility for spending.

13.18 We note that Chief Officers, as Accounting Officers, are responsible for prudent fiscal management within their Departments.

13.19 It is also noted that it is the Accounting Officers who are responsible for drafting many of the Projets proposing extra spending, and indeed the Business Plan itself.

13.20 Specific Departmental spending proposals are not generally separately stated in propositions, it is only implicit.

13.21 Therefore it is not strictly true to say that the Assembly have directly approved the increases because they are not always fully transparent and/or lacking in sufficient detail. The Interim Treasurer echoed this sentiment in the public hearing:

Interim Treasurer:
<u>I think I personally take the view that officers should take responsibility for areas that they would expect to be able to under their professional responsibilities. As a qualified accountant dealing with a Minister who is not a qualified accountant, there are clearly areas of knowledge that I would have that he would not.</u> I do not think you can reasonably expect a Minister to take responsibility a long way outside the political arena, frankly. I think officers are employed to bring the experience and knowledge they have in their areas of expertise and that is what we should be doing. Obviously at the end of the day it is the Minister's decision, but if it is a relationship that is working well then I would not expect the Minister to take a different view where it is within an area of professional knowledge and expertise that I have. I would expect the same to apply in other functions.

13.22 We note that it is civil servants who draft strategic policy and the Business Plan. Does their responsibility really end as soon as these documents are written? If this is the case, then the Chief Officers are merely implementers.

13.23 Key Finding
Propositions do not contain sufficient detail of spending to give Members enough information to make a considered decision. As the Interim Treasurer acknowledged, it is not realistic to expect politicians to know the ins and outs of the intricacies of Departmental spending. Responsibility for professional management of Departments must lie with the civil servants who are providing the advice.

[43] Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010

14. The Underspend in the Treasury

14.1 This Department underspent by a significant amount, spending £55.7 million compared with the original budget of £61.0 million.[44]

14.2 The Committee asked the Deputy Treasurer to explain. The answer illustrated a significant problem that the PAC identified in the examination of the 2008 Accounts i.e. the fact that the transition to GAAP (Generally Accepted Accounting Principles) accounting makes the interim accounts less than transparent:

14.3 ***Senator B.E. Shenton:***
Why was there an underspend in Treasury and Resources?

Deputy Treasurer of the States:
. ..I think as you have just said, Senator, the underspend was approximately £1.3 million on the Treasury and Resources Department.

Senator B.E. Shenton:
No, it was £61 million against £55.7 million.

Deputy Treasurer of the States:
If we could look at the annexe on page 79 of the accounts, you will see 2 ... if I can just take you to the bottom of the page, the last line on there is repayments and interest capital debt. This is the capital servicing that is earmarked to the Treasury and Resources Department which in effect is the equivalent to depreciation as charged on all States assets. It is non-cash. So it is there to reflect the consumption of the States assets on a year by year basis, equivalent to depreciation in the G.A.A.P. (Generally Accepted Accounting Principles) set of accounts. So it shows against the Treasury and Resources line; it shows there for convenience. It is not cash based; it does not reflect any level of cash expenditure. So that is a significant part of the underspend.

Senator B.E. Shenton:
So why the difference between actual and final approved budget?

Deputy Treasurer of the States:
It is a combination of things. A lower level of fixed assets than was originally envisaged.[45]

14.4 The Committee asked the Deputy Treasurer to explain why the final approved budget was not adjusted, given that it was obvious that the final spend was going to come in well under:

Deputy Treasurer of the States:
It is not something we would do because it is not money that gets spent in any way. There is no approval to physically spend that cash. Simply because we were going to underspend we would not change the final approved budget.

14.5 It was pointed out that this approach was not consistent with the attitude to a Departmental overspend, viz when a Department goes into overspend the issue goes to the States Assembly, but an underspend is kept quiet:

Mr. A. Fearn:
You have explained a process whereby if there is a Department that is going into overspend compared to the original estimate then there is a process by which it will go to

[44] Financial Report and Accounts 2009 p6
[45] Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010

the States and apply for additional funding. Is there a similar process if a Department is underspending? Perhaps you can explain to me how that process works and whether, from an overall point of view, if you are saying the States are being non-efficient then I would expect to see an equivalent process that allows the States to be informed where there is a significant underspend.[46]

14.6 The Deputy Treasurer confirmed that the situation would be addressed. However, the process appears worryingly informal:

Deputy Treasurer of the States:
Again, it would be reported to and monitored by the Council of Ministers and the Management Board on an ongoing basis. There are a number of options. One option is that the department underspends at the end of the year, which some of the Departments have as you will see from the accounts. Another option is that with cost pressures that arise during the year, the Council of Ministers can consider whether it is appropriate to transfer funds to another Department, and again they can consider whether it is appropriate to take that money back through a proposition to the States as they did for the pay award issue. So there are those 3 options available.

Senator J.L. Perchard:
How does that work on a practical basis? The Council of Ministers can consider transferring funds when you have no colleague that is ultimately responsible for the overall budgets of the States?

Deputy Treasurer of the States:
The only way that a transfer can take place is with the approval and agreement of both Ministers.

Senator J.L. Perchard:
So they sit in their coffee room and have a chat about it.[47]

The reporting of the Decision, executed by Ministerial Decision some time later has structure – it is the lack of formality in the process and the delay in reporting it to the States Assembly that causes concern. In addition, there appears to be no pro-active analysis of the impact of these decisions reported to the Assembly. In the private sector a business case would be made for these decisions.

14.7 Key Finding
Inter Departmental transfers can only be made by Ministerial Decision. The Treasury and the Chief Officers can play no more than an advisory role. This process is not efficient or centralised, indicative of a silo mentality. Most importantly, there appears to be no accountability involved in this process, or centralised decision making audit.

14.8 Key Finding
The decisions to transfer funds between Departments are not sufficiently formalised

14.9 Recommendation
The process should be more formalised and open. The States Assembly should be notified of all inter-Departmental transfers, with an explanatory Report (R). This report should be written in a style that can be understood by the majority of States Members and the Public.

[46] Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010
[47] ibid

15. The Role of the Treasurer of the States

15.1 The above issue echoes the concerns voiced in our report on the 2008 Accounts, where we highlighted the importance of the independence of the Treasurer, and our opinion that he must step in where accounting failures occur.[48]

15.2 It is the Committee's view that a £100 million overspend is a clear indication of accounting failure. Albeit Treasury argue that the 2009 audited out-turn against final approved budget was an under-spend of £7.6 million as the budget had been considerably increased over the period.

15.3 In the private sector, a Financial Director (in this case that should be the Treasurer) would step in if he saw a breakdown of internal financial controls.

15.4 As stated in a recommendation from our report on the 2008 Accounts:

The Treasurer of the States should act with more independence, as prescribed by law, and be more vocal in his quest to keep the States finances in balance. It is important that he is able to provide an independent voice free from undue influence from the Treasury Minister and other politicians'[49]

15.5 Although we fully acknowledge that Government is not the same as the private sector, the role of the Finance Director is still largely analogous. Or at least, it should be, if spending is to be controlled.

15.6 The Interim Treasurer did acknowledge his role as a type of mediator in potential disagreements:

Interim Treasurer:
I take the view that it is intended the Chief Executive should be the Chief Executive and, therefore, if I am asked to do something by the Chief Executive I try and do it. There is not normally a conflict with what the Minister for Treasury and Resources is wanting, <u>but it would be for me to resolve it if there was a conflict.</u> [50]

15.7 Our report on the 2008 Accounts concluded that the Treasurer of the States saw himself as the States Accountant or book keeper.[51] We were minded that the Treasurer needed to act more like a Financial Director.

15.8 This situation is exacerbated by the fact that the Public Finances (Jersey) Law is doesn't make the Treasurer responsible for monitoring spending:

Article 28(3)(d) may be taken to imply that the Treasurer's responsibility is limited to the provision of information about expenditure rather than the monitoring of expenditure.[52]

15.9 The Interim Treasurer said:

So the intention is that the Treasurer should act as head of profession for the whole finance function and, therefore, each departmental finance director in effect has a dual reporting line to their Chief Officer and to the Treasurer.[53]

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[48] P.A.C. 1/2010 Report on the Accounts of the States for the year ended December 31st 2008, p 7
[49] P.A.C. 1/2010 Report on the Accounts of the States for the year ended December 31st 2008, p 6
[50] Hearing with the Interim Treasurer, 20th September 2010
[51] P.A.C 1/2010 Report on the Accounts of the States for the year ended December 31st 2008, p 6
[52] Report by the C&AG: Public Finances (Jersey) Law 2005 A Review in the Light of Experience, p 15
[53] Hearing with the Interim Treasurer, 20th September 2010

15.10 Although the Treasurer quite correctly considers that (as a qualified accountant and expert in his field) he should provide advice, the Public Finances Law does not make this mandatory. The Law does not explicitly state that the Treasurer should provide advice. At the same time it empowers the Minister for Treasury and Resources to make Orders regarding which the management of overall spending totals.

15.11 It is concerning that the Minister should be allowed to make such decisions without counsel.

15.12 Key Finding

Quote from the Comptroller & Auditor General:

If the Treasurer is not the person responsible for monitoring expenditure control, it is not clear who has the responsibility. The 2005 Law does not refer to anyone else who might be thought to have responsibility and that appears to be a significant weakness in the 2005 Law.[54]

15.13 Recommendation

The Public Finances Law should be changed to make the Treasurer explicitly responsible for providing advice, with added whistle blowing powers to provide for potential conflicts.

15.14 Our Committee considered the possibility of centralising financial responsibility under a single official- a practice carried out in local government in the UK by the '151 Officer.'

15.15 The Comptroller & Auditor General outlined the responsibilities of the Section 151 Officer thus:

(1) a duty to report unlawful expenditure, a loss or deficiency or an unlawful item of account as a result of the exercise of executive functions; and
(2) a duty to report a failure to set or keep a balanced budget.

'It may be appropriate to consider adding these two duties to the responsibilities of the Treasurer. Their effect is likely to be not a plethora of reports to the States but a strengthening of the Treasurer's position in insisting upon proper financial management and prudent financial planning. In each case, it would be appropriate for such reports to be made to the States Assembly.'[55]

15.16 In the public hearing, the Interim Treasurer agreed that the Treasurer's role was insufficiently codified and that the introduction of 151 responsibilities might be wise:

Interim Treasurer:
I think there is a case for the Treasurer to have a slightly more strongly defined role than the law presently provides. I have twice been in director of finance positions in U.K. local authorities where they have a power under the U.K. law known as section 151 which gives the director of finance authority to override in certain circumstances and stop expenditure that would be potentially an overspend and to ensure that the intentions in the budget or Business Plan are complied with. The Treasurer here does not have that power and I think it is something that ought to be considered in the next set of changes to the Public Finance Law. I think probably if I was involved in those changes it is an area that I would be suggesting, even recommending, something similar might be a good idea here.[56]

[54] Report by the C&AG: Public Finances (Jersey) Law 2005 A Review in the Light of Experience P 15
[55] Report by the C&AG: Public Finances (Jersey) Law 2005 A Review in the Light of Experience P 17
[56] Hearing with the Interim Treasurer, 20th September 2010

15.17 Key Finding

There is a lack of centralised financial oversight as exists in other jurisdictions. The Treasurer's position is too weak as he has insufficient powers to enforce prudent fiscal management.

15.18 Recommendation

The Public Accounts Committee considers that Accounting Officers have responsibility but that there should be an overarching responsibility embodied by the Treasurer. This would have the effect of centralising control of States spending. A 151 Officer should be appointed and charged with prudent financial management, in line with 151 duties in the UK. This individual should be the Treasurer. The Public Finances (Jersey) Law 2005 should be updated to encompass this extra responsibility. In other words- Accounting Officers of Departments are responsible but the Treasurer would have an overarching responsibility to investigate and resolve problems. i.e. the Treasurer would act like a 151 Officer.

15.19 The Comptroller & Auditor General expanded on this:

These provisions should be supported in practice by an expectation that Departmental Finance Directors should report to the Treasurer any instances in which Financial Directions have been contravened and any instances in which the use of resources has not delivered good value for money. The Treasurer's duty to oversee the standards of financial management should then lead to an investigation of such matters with a view to resolving matters with the relevant Accounting Officer. In the event that the Treasurer could not reach such a resolution, it would be necessary to consult others including, for example, the Council of Ministers and the Comptroller & Auditor General.[57]

15.20 The Committee explored the role of the Treasurer in centralising financial control The Interim Treasurer was minded that he had improved the situation, by instigating regular meetings and acting, in his words, as 'head of profession':

Senator B.E. Shenton:
When we had the Finance Director in from Health he was a little bit critical of your predecessor inasmuch as he felt that he did not get enough feedback from the Treasury Department or assistance from the Treasury Department. Have you put things in place to make sure that you are working more closely with the finance directors and making it a 2-way exchange of information?

Interim Treasurer:
Yes, I have. I think my predecessor's practice was not to meet regularly with the finance directors in each department. I implemented monthly meetings with each finance director to review their results.

Senator B.E. Shenton:
Is that individual meetings or all finance directors together or ...?

Acting Treasurer:
It was individual but it usually involved their Chief Officer as well. So I would sit down each month when their financial results were available and review them, ask questions and so on, and where explanations were not satisfactory ask them to improve the reports to make them satisfactory. Since then I have also implemented one to one meetings with each finance director on a personal basis. ***So the intention is that the Treasurer should act as head of profession for the whole finance function and, therefore, each departmental finance director in effect has a dual reporting line to their Chief Officer and to the Treasurer.*** *So I have been meeting with each finance director on a one to one basis as well so they can discuss their own personal objectives and other issues that I can*

[57] Report by the C&AG: Public Finances (Jersey) Law 2005 A Review in the Light of Experience p 13

help them with in a professional sense. So, I believe I have improved things to a reasonable extent, yes.[58]

15.21 However, our Committee was surprised to discover, that given the above commitment to overseeing financial management, the Interim Treasurer said that he had not read a major external report into the management of the Historical Child Abuse Enquiry[59] (which represented a large overspend within Home Affairs):

Senator B.E. Shenton:
… we have had produced certainly over the last 2 or 3 years a huge number of outside consultancy reports on all sorts of things. In fact, we have just had a committee of inquiry report on the Reg's Skips case which was fairly damning of the Planning Department and the way it is run. If I just pick on one of these reports, there is a BDO Alto report on Operation Rectangle which was a review of the efficient and effective resources to do with the Home Affairs Department. When these reports come out, and including the Reg's Skips case report, are these reports that are of interest to your Department bearing in mind they are critical of the way a Department is being managed and, therefore, there is financial implications to that?

Acting Treasurer:
Well, I see all internal audit reports as a matter of course. There are certain reports commissioned by Departments for their own private use which I might not necessarily see unless they chose to make me aware of them because there might be things that I need to be made aware of. I have not read that particular report you have just referred to.

15.22 Key finding
There are certain reports about States spending that the Treasurer 'will not necessarily see.' This includes a major report regarding the Historical Child Abuse Enquiry. Furthermore, the decision as to whether to make the Treasurer aware of a report is seen by the Treasurer as the choice of the Department in question, and not mandatory.

15.23 Recommendation
If the Treasurer is truly acting as 'head of profession,' then he will have a duty to see these audits and the Departments would have a duty to supply them. The Treasurer must look to address weaknesses of a financial nature that appear in the various reports presented to the States.

16. Does the Public Finances Law tell us who is Responsible for Spending?

16.1 *Article 28(3) provides that it is the responsibility of the Treasurer to ensure the proper stewardship and administration of the public finances of Jersey, and, in particular:*
"(a) to set financial standards for their administration and for monitoring compliance with those standards;
(b) to ensure that professional practices are adhered to in their administration;
*(c) to **advise** on the key strategic controls that are necessary to secure their sound financial management; and*
*(d) to ensure that financial information is available to enable accurate and timely monitoring of their administration, and to **advise** on the appropriation and budget process for each financial year."*[60]

[58] Hearing with the Interim Treasurer, 20th September 2010
[59] Operation Rectangle- Review of the Efficient and Effective Use of Resources (BDO Alto Report, May 2010)
[60] Report by the C&AG: Public Finances (Jersey) Law 2005 A Review in the Light of Experience p 15

16.2 The Treasurer here is painted as a consultant, not someone who ensures the correct financial management. Therefore he is not responsible or accountable for it. Also, the Treasurer needs to monitor Departmental spending rather than just observing it.

16.3 Key Finding
The Public Finances Law does not explicitly state who is responsible for spending. While the Treasurer's responsibilities are outlined, they could be interpreted as the Treasurer being an adviser rather than having a duty towards prudent financial management.

16.5 Key Finding
Even if the Treasurer were minded to pursue his duty to ensure prudent fiscal management, in practice, the Public Finances Law does not give him the power to do so, as stated by the Comptroller & Auditor General:

Although the 2005 Law empowers the Treasurer to issue Financial Directions, it does not require that Accounting Officers shall comply with those Financial Directions. Unsurprisingly, the effect of this provision is that cases of non-compliance have continued.[61]

16.5 Key Finding
Non compliance with internal financial controls is in part due to the Public Finances Law which does not a) give the Treasurer sufficient powers to enforce financial directions or b) require compliance by law.

17. Stabilisation Fund

17.1 The Public Accounts Committee wanted to ascertain the States' expectation for the use of this Fund. In view of the additional transfer to the fund[62] of £81 million in the year, there must be an expectation that the fund balance will be held for a number of years.

17.2 If this is the case, then what is the point of holding the balance in cash? This practice inevitably is detrimental to income.

Mr. M. Magee:
Could I ask a question on the stabilisation fund? I guess the question is how much is still in it and what is it going to be used for in the future?

Acting Treasurer:
I think the opening balance was £114 million at the beginning of this year. It has been used to fund the fiscal stimulus programme which is in total involving expenditure of about £44 million, so that will run it down. We are now into a situation where we are running an ongoing deficit, so 2010 is the first year that we will have an underlying deficit anyway which will reduce the stabilisation fund further. The Business Plan that was published a few weeks ago has information on how those balances will reduce and from recollection I believe the stabilisation fund will be down to a zero balance by the end of next year or thereabouts. So, this is obviously why it is so important that the Comprehensive Spending Review achieves its savings that it needs to and whatever other fiscal measures may be necessary to get back into a balance position as soon as possible.

Mr. M. Magee:
So there are no excess funds there that could be used, in effect, in lieu of cost savings, ie there is not another pot of money to be used as an alternative to cost savings?

[61] Report by the C&AG: Public Finances (Jersey) Law 2005 A Review in the Light of Experience p 22
[62] Financial Report and Accounts p 18

Interim Treasurer:
Not really. It has been used exactly for its intended purpose, which is to help stabilise the economy in a sort of short downturn and inject a certain amount of additional fiscal stimulus funding into the economy and also cover the deficit until measures can be taken to address it.[63]

17.3 Key Finding
The stabilisation fund appears to have been used in accordance with its original mandate. However, management of the underlying funds could be improved.

17.4 Recommendation
Improved cash management processes need to be adopted, with greater attention paid to when funds will be required in order to produce a bespoke strategy to maximise income.

18. Department Employees Remuneration and an Increase in Posts

18.1 The following table illustrates the movement in numbers of employees and their remuneration since the 2008 Accounts.

	Increase in average	*Increase in staff nos*	*2009 Salaries*	*FTE*	*Average*	*2008 Salaries*	*FTE*	*Average*
CMD	*3.68*	*3.30*	9,488	188	50.47	8,859	182	48.68
EDD	*-6.81*	*15.87*	3,274	73	44.85	3,032	63	48.13
ESC	*-0.38*	*2.75*	64,452	1534	42.02	62,966	1493	42.17
H&SS	*-1.11*	*1.87*	93,785	2289	40.97	93,101	2247	41.43
Home Affairs	*-6.10*	*5.31*	31,550	674	46.81	31,903	640	49.85
Housing	*-8.45*	*-5.26*	1,673	36	46.47	1,929	38	50.76
P&E	*9.96*	*-5.83*	5,724	113	50.65	5,528	120	46.07
Social Security	*130.34*	*-7.19*	4,628	129	35.88	2,165	139	15.58
T&TS	*3.20*	*0.95*	18,438	529	34.85	17,698	524	33.77
T&R	*0.02*	*1.69*	10,594	240	44.14	10,415	236	44.13
Non-Ministerial	*0.53*	*2.40*	8,896	171	52.02	8,642	167	51.75
States Assembly	*1.19*	*3.23*	1,289	32	40.28	1,234	31	39.81
Airport	*1.70*	*0.53*	8,825	190	46.45	8,632	189	45.67
Harbours	*31.80*	*-23.86*	3,207	67	47.87	3,196	88	36.32
Other			830			102		
Staff costs charged to capital			-1,344					
	0.51	*1.75*	265,309	6265	42.35	259,402	6157	42.13

18.2 The Committee considers that the growth in average remuneration (0.51% from £42.13k to £42.35k) was controlled.

18.3 However we are concerned at an increase in the number of employees at a time when the States should be keeping a tight rein on expenditure.

18.4 More specifically, the Committee notes that the following Departments swelled their numbers by the following:

H&SS: 42 people
ESC: 41 people
EDD: 10 people
CMD: 6 people

[63] Hearing with the Interim Treasurer, 20th September 2010

18.5 In a written response to this concern, the Treasury stressed that

'The Total increase for the States was less than 2% and will represent some extra posts (either approved through the business plan or of a temporary nature e.g relating to the Fiscal Stimulus Programme'.[64]

18.6 We were particularly alerted to the extra six extra posts created in the Chief Minister's Department. These posts were: a Social Policy Advisor, Minister's Secretary, Senior Officer, Senior Policy Advisor and a Senior Policy Assistant.

18.7 This increase in posts was agreed via amendments to the 2009 business plan P133/2008. The rationalisation for this increase was:

To *'ensure the range of functions within the Chief Minster's Department required for a modern and responsible Government are strengthened and re-organised.'*

18.8 Key Finding
The Public Accounts Committee considers that the job titles for the new posts in the Chief Minister's Department and accompanying rationalisation for those posts to be lacking in sufficient detail to have allowed the States Assembly to make an informed decision about whether these posts were necessary.

18.9 We also noted that the average remuneration of staff within the Chief Minister's Department rose by 3.68%. This was presumably due to the appointment of the Deputy Chief Executive Chief Officer for Resources – a new post.

18.10 We requested a job description for the Deputy Chief Executive and this can be found at the Appendix.

18.11 (The Full written response to our questions regarding remuneration is available at the Appendix of this report.)

19. Remuneration and Transparency

19.1 ***Senator B.E. Shenton:***
When the Chief Executive appeared before us, he gave an assurance that ... I understand that public sector employees, certainly the more senior positions, their remunerations are published in the U.K. to a greater detail than they are published here. When he came in, he did give us an undertaking that they would actually follow the U.K. standard, which is publication not only of salary but also bonuses and pension contributions, right down to the last detail. Did he pass this information on to you at all after the hearing that he had given this assurance?

Acting Treasurer:
Yes, I have been involved in discussions with him and it has been discussed at the Corporate Management Board. It is certainly the intention to achieve compliance with U.K. G.A.A.P. (generally accepted accounting practice) so far as reasonably possible given that Jersey is unusual in a number of respects. The intention of U.K. G.A.A.P. is to apply those forms of disclosure that you mentioned to the individuals who are either the directors of the organisation or considered equivalent to directors. So the issue in Jersey is determining who is equivalent to a director of the organisation, and discussions are still continuing on exactly how that is going to be defined, but the intention is that having agreed who the equivalent of directors are, then the disclosure will be in line with U.K. G.A.A.P……

[64] Written response by the Treasury, 13th August 2010

Senator B.E. Shenton:
What sort of timeframe are we looking at now?

Acting Treasurer:
I think we are talking within weeks, are we not?

Head of Financial Accounting and Control:
Hopefully next week so, yes, we are very close to getting to a point where we are in a position for the Minister to be able to issue the standards.

19.3 Key finding

The Public Accounts Committee is pleased to note the commitment to place remuneration details in the public domain.[65]

19.3 We asked the Interim Treasurer about controlling staff costs.

Interim Treasurer:
Yes. We certainly need to make sure that we are as one with the H.R. (Human Resources) Department. The difficulty they have is that their information system, known as H.R.I.S. (Human Resources Information System), frankly is not a very good system. It is very difficult to get reliable information out of it and there are difficulties at the moment in establishing correct headcount figures, for instance. We do get there in the end by means of manual reconciliations but it is very cumbersome and unsatisfactory. One of the areas that we need to improve our systems is in that area.

The Connétable of St. Peter:
But you say the H.R.I.S. system has been in place now for, what, 4, 5 years and it has not been effective since it was first introduced. Certainly Departments should have manageable systems to be able to draw down information reasonably quickly to be able to produce the reports. Do you have any idea what that has not happened?

Interim Treasurer:
<u>Well, I think it is symptomatic of the sort of general problem across the States that until fairly recently each Department had its own information systems but there was not an organisation-wide arrangement</u> that allowed that information to be pulled into the centre and made available on a corporate basis. So, certainly in Treasury we are now establishing the financial information and other related information such as staff numbers that is obviously crucial to report with financial information to support it. It takes time to build a system to do it.[66]

19.4 Key Finding

The Treasurer seemed to see his role as to monitor staff costs rather than challenge them.

The Connétable of St. Peter:
This is the reason ... I realise it is not a purely financial question, but with your financial controls as the interim Treasurer it just concerns me that you do not have perhaps more control or more direction to do with H.S.S. and the amount of staff and the effect or non-effect of management of that staff. That is really why I raised that question.

Interim Treasurer:
I think the role of Treasury is to ensure there is challenge, to ensure that there is proper information available and explanation of variances. It is not for Treasury to tell managers

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[65] It has now been agreed that the annual Accounts will now include details of remuneration for all Accounting Officers, including pension details and related party information. However certain quasi independent roles (for example the Data Protection Commissioner) will be exempt from disclosure.
[66] Hearing with the Interim Treasurer, 20th September 2010

and other functions that they have too many or too few staff, but what we can do is make comparisons with other parts of the organisation internally and also if we can obtain relevant information externally. If the comparisons show that, for instance, the number of staff appears more or less than whatever we are comparing with, then that might be a reason for the management to reconsider their position. But I do not think it is for us to say: "You are employing too many staff." <u>All we can do is make comparisons</u>.

19.5 Key Finding
The role of the Treasury is to ensure there is challenge and also to ensure there is proper information available and an explanation of variances.

19.6 We asked how headcount was limited within the States:

Interim Treasurer:
Well, there is a very strong control over recruitment that has been implemented. Every proposal to replace a post where someone leaves has to go to the Director of Human Resources for approval and that is quite a good control. We are starting to improve our reports to show staff numbers and that will highlight where there are variances from budget and from the previous year. I think it is somewhat the same answer to the previous question, really. We can provide information and we can challenge and make sure ... our role really is to make sure that management across the organisation has the information they need to be effective as managers. I think that is how I see what we are trying to achieve in Treasury at the moment.[67]

20. Privatisation - an Opportunity for Savings?

20.1 The Committee wondered whether consideration had been given to creating new trading operations or recognising existing activities as trading operations. Some operations such as the Met Office could be regarded as trading operations and charged with seeking a commercial return for their activities.

20.2 Indeed, one of the recommendations from our report: 'States Spending Review' (P.A.C 2/2010) was that the Jersey Met Office should be re-established as a States owned commercial trading enterprise.[68]

20.3 Our Committee questions whether the States has been too reticent to look into these matters.

20.4 Other examples of 'quick wins' with outsourcing would be fleet management and carparks. The Committee enquired why the States believe it is wise to retain management control of the car park activities. This surely should be a simple commercial activity.

20.5 Car park staff are presumably remunerated on States terms and conditions. One of the following two scenarios must therefore be the case:

a) If the carparks are being managed on a commercial footing by the States, then the taxpayer is paying higher than reasonable parking rates.

b) If they are not being managed commercially then the States is effectively subsidising parking.

20.6 Both of the above situations are unacceptable.

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[67] Hearing with the Interim Treasurer, 20th September 2010
[68] P.A.C 2/2010 'States Spending Review', p 71

20.7 The Interim Treasurer seemed open to the idea of the outsourcing of services, in moderation:

Interim Treasurer
Certainly, I think there is a balance to be struck between services that are best provided by public sector staff and services that may be better provided by private sector organisations. You have to be careful because you need to maintain the standard of services and there is always a danger when things are privatised that the standard may not be quite as acceptable as it was previously. But I think it is an issue with public sector terms and conditions being not necessarily ideal for providing services that do not necessarily need staff with those terms and conditions. Certainly, my experience in the U.K. is you can achieve cost savings by moving certain services out of the public sector. Having said that, I worked in a public sector organisation, Bedfordshire County Council, where they went to an extreme level of outsourcing and it was a disaster and they had to bring a lot of it back in-house again. So, there is a balance.

20.8 Key Finding
Outsourcing of services is accepted (with reservations) as a potential solution by the Interim Treasurer.

20.9 Recommendation
There should be a review of core Government activities, with areas of possible outsourcing identified and examined. This is a review that could, perhaps, be undertaken by the Comptroller & Auditor General in his independent capacity, as his role is free from political influence.

21. Case Study - Car Park Management and Accountability

21.1 The issue of carparks led the Committee again back to the more fundamental problem of accountability. If activities such as managing carparks are financially detrimental to the States, then why aren't the Chief Officers challenging these activities?

Senator B.E. Shenton:
I am still a little bit unclear as to your role and responsibilities. If you were running this as a corporate you might turn round and say: "We should not be running car park activities because it is not core business, we do not run them efficiently enough." But if I was to say to you: "Should we be running car park activities?" you would probably turn round to me and say: "That is a States decision." Surely, officially running the States also goes down to should we be running the car parks and decisions of that nature.

The Chief Executive:
There are clearly elements in that of efficiency, absolutely right, and here is where you get the mix between efficiency and policy decisions, political decisions.[69]

21.2 This mix between different types of decisions is at the hub of the discussion, yet the Chief Executive was reluctant to express a view on how these are or should be defined, stating that that discussion was for another day:

Senator B.E. Shenton:
But the staff of the car parks are obviously remunerated at States levels. That could imply that we are charging the public too much for car parking because we are not running it as efficiently as we could.

[69] Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010

The Chief Executive:
You can posit all sorts of questions like that and I think in another forum, another place, I would be very happy to discuss them with you but I am not sure that these are questions which are appropriate for me to answer now.

21.3 When pressed, he stated that the Minister was responsible, but that the Corporate Management Board would be consulted. Yet the Committee received no definite answer to their original question: where are the Chief Officers in all this?

Senator B.E. Shenton:
Whose decision is it ultimately to decide whether the car parks should be run commercially or should be in effect subsidised?

The Chief Executive:
As things stand at the moment, given the employment implications of that and the political implications of that - they could be significant in terms of industrial relations and policy decisions - it would be the responsibility of the Minister for Transport and Technical Services but he would, I know, wish to consult and work with the States Employment Board.

The Connétable of St. Peter:
Are you not moving up one level there to the Minister? Should not the chief officer have a role to play in that at T.T.S. (Transport and Technical Services)?

The Chief Executive:
I think you are getting to the nub of the complexity of the decision making and where responsibilities lie and who does have that responsibility and accountability, which exists at many different levels and depends on the implications, frankly, of decisions as well as the legal structure of those decisions. I think questions about who would wish to be responsible and accountable for what are another set of discussions.[70]

21.4 Key Finding
Accountability and responsibility is an issue at the heart of States Spending. As explored above, the lack of accountability has led directly to uncontrolled spending. Therefore, what could be more relevant to a review of the States Accounts?

21.5 We acknowledge the complexity of the subject as mentioned by the Chief Executive above. However, a concession to the complexity will achieve nothing unless it is followed up.

21.6 In our report on the 2008 Accounts, one of our major key findings was:

Lines of financial responsibility remain unclear…leading to confusion and the spending of considerable sums of public funds which cannot be accounted for.[71]

21.7 This problem remains unchanged. As such our key finding is repeated.

21.8 Key Finding
Lines of financial responsibility remain unclear- leading to confusion and the spending of considerable sums of public funds which cannot be accounted for.

21.9 Recommendation
If lines of accountability are unclear, then changes need to be made in order that they become clear. Lines of accountability need to be defined beyond question. Chief Officers have to accept their responsibility to ensure their Departments are run efficiently. If areas of

[70] Hearing with the Chief Executive and Deputy Treasurer, 16th August 2010
[71] P.A.C 1/2010 p 7

the States can be run more effectively in the private sector then it is the duty of the Chief Officer and Corporate Management Board to identify this.

22. Public Sector Pensions

22.1 From an examination of the Accounts, it seems clear to our Committee that the States is not responsible for any shortfall in the PECRS (Public Employees Contributory Retirement Scheme Fund.) We asked the Interim Treasurer for confirmation of this:

Senator B.E. Shenton:
I was reading the Social Security report and accounts at the weekend and it has the standard statement within the report and accounts that we have within our own financial report and accounts, which is that P.E.C.R.S. (Public Employees Contributory Retirement Scheme), while a final salary scheme, is not a conventional defined benefit scheme as the employer is not responsible for meeting any ongoing deficiency in the scheme. Now, this statement that the employer is not responsible for meeting any ongoing deficiency in the scheme has obviously been agreed by the people that signed the accounts, by the Ministers responsible of the various Departments and by the auditors, but we have been in correspondence with the Committee of Management to the pension fund who seem to disagree with the statement. Perhaps I could have your comment on this.

Interim Treasurer:
I have seen correspondence on this matter. The position that I am informed applies in relation to the 2009 accounts is that the auditors were satisfied that what is reported in the accounts is the correct position. I would say it is an unusual arrangement that I have not come across elsewhere where the employer is not responsible for the deficit on the scheme, but that appears to be the agreement that has been made and the auditors have verified and assured themselves that it is correct, so I am informed.

Senator B.E. Shenton:
So one assumes that if the employers are not responsible for any ongoing deficit, then the members of the scheme are, therefore, responsible?

Interim Treasurer:
Well, I would say the Committee of Management is responsible for looking after the interests of the members of the scheme in accordance with the rules of the scheme and the agreements that have been reached.

22.2 The Public Accounts Committee will be investigating the matter of Public Sector Pensions in a separate report.

23. Terms of Reference

1. To review the States of Jersey Financial Report and Accounts 2009

2. In accordance with paragraph 132(1)(a)(i) of the Standing Orders of the States of Jersey, to receive a report from the Comptroller and Auditor General on the results of the audit of the Annual Financial Statement of the States, and to report to the States upon any significant issues arising.

3. To ensure that the issues identified in the Public Accounts Committee's Review of the 2008 States Accounts have been addressed.

4. To examine any further issues relating to the Financial Report and Accounts 2009 which the Committee considers relevant.

24. Committee Membership

The current membership of the Public Accounts Committee (as at the date of the presentation of this report) comprises:

States Members

Senator B.E Shenton (Chairman)

Connétable J. Refault (Vice-Chairman)

Senator A. Breckon

Senator J. Perchard

Independent Members

Mr A. Fearn

Mr M. Magee

Mr K. Keen

Officer Support: Mel Pardoe

25. Methodology

On the 13th August 2010, the Committee received a written response to specific concerns raised by the Members from the Head of Financial Accounting and Control. (This is reproduced in full in the Appendix).

On the 6th October 2010, the Committee received a further written response to specific concerns raised by the Members from the Deputy Treasurer (This is reproduced in full in the Appendix).

On the 16th August 2010, the Committee held a public hearing with the Chief Executive and the Deputy Treasurer of the States.

On the 20th September, the Committee held a public hearing with the Acting Treasurer of the States.

26. The Role of the Public Accounts Committee

The primary function of the Public Accounts Committee is defined in Standing Orders[72] as the review of reports by the Comptroller and Auditor General (and to report to the States upon any significant issues arising from those reports) regarding :-

- The audit of the Annual Accounts of the States of Jersey

- Investigations into the economy, efficiency and effectiveness achieved in the use of resources by the States, States funded bodies, independently audited States bodies (apart from those that are companies owned and controlled by the States), and States aided independent bodies

- The adequacy of corporate governance arrangements within the States, States funded bodies, independently audited States bodies, and States aided independent bodies,

- and to assess whether public funds have been applied for the purpose intended and whether extravagance and waste are being eradicated and sound financial practices applied throughout the administration of the States.

The Public Accounts Committee may also examine issues, other than those arising from the reports of the Comptroller and Auditor General.

The Public Accounts Committee represents a specialised area of scrutiny. Scrutiny examines policy whereas the Public Accounts Committee examines the use of States' resources in the furtherance of those policies. Consequently initial enquiries are made of Chief Officers rather than Ministers.

[72] Standing Orders of the States of Jersey 1st January 2006, No. 132.

27. Appendices