



JERSEY AUDIT OFFICE

Office of the Comptroller and Auditor General

Annual Report and Accounts for the year ended 31 December 2019

jerseyauditoffice.je

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Introduction

Introduction by the Chairman of the Board of Governance



This Annual Report reviews 2019 – the last of Karen McConnell’s seven-year term as Comptroller and Auditor General (C&AG). Much has been accomplished during those years. They began by creating an effective office and working practices.

Thereafter, Karen delivered a steady stream of useful reports helping to ensure that Jersey taxpayers’ money is properly spent and achieves value for money.

The Board of Governance was appointed in September 2016, stemming from Karen’s wish to put in place appropriate governance arrangements, which meet the highest standards but are designed to match the scale and special characteristics of Jersey. So, our third full year coincided with Karen’s last and the recruitment of her successor.

We – and the people of Jersey – have been fortunate in securing Lynn Pamment as the new C&AG. Lynn brings wide experience of public and private sectors, as well as of international bodies. Chosen from a strong field of applicants, she has already demonstrated her ability to build on Karen’s foundations and achievements. I am glad to report that a smooth transition has taken place.

The report informs readers about the work of the C&AG and her team over the past year. It lists ‘key outputs’ and shows the follow-up. It recalls the C&AG’s priorities for 2019 and records the Office’s performance in their attainment. It then looks ahead to the new C&AG’s priorities for 2020 and how they will be taken forward. Ambition for continuous improvement shines through those pages.

The accounts show that this work has been achieved at remarkably low cost, if you compare output and expenditure with those of audit offices in other small territories. They also demonstrate compliance with all the appropriate accounting practices. The role of the Board of Governance is to scrutinize the use of resources by the C&AG with a view to ensuring that they are used ‘properly, efficiently and effectively’.

We are satisfied that requirement has been fulfilled. The middle section of this annual report contains an accountability report giving more detail about the Board and its work. The Board’s focus on governance reinforces the independence of the C&AG in her investigations and reports. The C&AG updates us regularly on her work programme but the content of her reports is not within our remit.

Lynn has planned a series of reports during 2020 on key aspects of Jersey’s public services, together with expanded interaction with stakeholders. Coronavirus will inevitably impact on those plans but will also reveal fresh strengths and weaknesses in Jersey’s public services – on which later reflections by the C&AG may prove valuable in future planning.

We thank both Karen for her seven productive years’ work and Stephen Warren, the Deputy C&AG, whose continuing efficiency played a big part in ensuring the smooth transition. Karen’s valedictory ‘Thinkpiece’ set out her concluding thoughts and is worth reading. It can be found on the Jersey Audit Office website in the section ‘Our Work – 2019’, with all the other reports produced during the year.

Implementation of the C&AG’s reports depends primarily on action by the bodies concerned but the role of the Public Accounts Committee (PAC) of the States Assembly is vital in following-up the C&AG’s reports. Lynn and Stephen attend the Committee’s meetings and support the PAC in its work. The Board itself is grateful to Sarah Ferguson, the PAC Chairman, for her helpful periodic liaison with us.

All of the work of this small organisation aims to help government and public bodies to improve, so as to give the people of Jersey better services and better value. The challenges to be faced in 2020 may be unique but the aim will endure and we shall adapt to whatever lies ahead.

Peter Price
Chairman of the Board of Governance
30 April 2020



Section 1

Performance Report

The Comptroller and Auditor General (the C&AG) has chosen to discharge her responsibilities through the Jersey Audit Office (the JAO). The Performance Report provides an overview of the work of the C&AG and the JAO in 2019. It comprises:

- a statement by the C&AG;
- highlights of 2019;
- a summary of the JAO including its purpose and the key risks to achieving its objectives; and
- a performance analysis including how the C&AG measures the JAO's performance.

Overview

Section 1: Performance Report

Statement by the Comptroller and Auditor General



I am delighted to have started my term of office as C&AG working with the States and Government of Jersey, the Board of Governance and my colleagues in the JAO.

I would like to thank my predecessor, Karen McConnell, for her seven years of service. The high regard in which the Office of the C&AG is held bears testament to her success. I would also like to thank her and the Board of Governance for the arrangements they have put in place to ensure a smooth transfer of responsibilities.

2019 was another year of change for the States of Jersey. The Public Finances (Jersey) Law 2019 came into force in July and the States saw further changes arising from the continued implementation of the new Government of Jersey Target Operating Model.

The work of the JAO reflected the risks that follow from change with a strong focus on the effectiveness of internal control and good governance. This included following up on the implementation of the C&AG's previous recommendations in key areas such as financial management, where a substantial change programme is in progress. The JAO continued to perform strongly and comparisons to audit offices from other jurisdictions indicate that it delivers a significant volume of reports to the States Assembly at comparatively low cost.

The C&AG, in her final report of the year, published a 'Thinkpiece' drawing on her reports and experience over seven years as C&AG. The key theme of the Thinkpiece is the importance of good governance. I endorse this message fully.

I aim to build on the work of my predecessor. In this document I have set four priorities:

- **being a high performing audit organisation:** as part of achieving this ambition I will update the Code of Audit Practice and introduce a quality framework;
- **supporting effective scrutiny and accountability:** including working with the Public Accounts Committee and stakeholders;
- **making a difference:** I will, for example, invest and innovate in the way we report and develop our website; and
- **building a better organisation:** this includes continuing to support the Board of Governance, widening the pool of affiliates and using technology more effectively.

My workplan for 2020 has been impacted inevitably by the coronavirus pandemic. It is encouraging that the JAO team is showing resilience at this time through remote working and a focus on areas that minimise the burden on already stretched officers in Jersey.

Lynn Pamment
Comptroller and Auditor General
30 April 2020

Overview

Section 1: Performance Report

2019 Highlights

The key outputs for the year are set out in **Exhibit 1**.

Exhibit 1: Key outputs for 2019

March 2019

The States as Shareholder - Follow-up

The C&AG followed up her 2014 review of the Shareholding in the JT Group Limited (Jersey Telecom) which had made wide-ranging recommendations which were broadly applicable to all seven States controlled companies. The follow up review focussed on the States' oversight, in particular of Jersey Telecom and Ports of Jersey.

The C&AG concluded that there had been slow progress in implementing recommendations. She identified two relevant factors:

- a culture where there was not a strong corporate priority to implement recommendations and monitor and report that implementation; and
- a disparity in the level of expertise of the shareholder function and of the controlled companies.

The C&AG noted that the States had recently strengthened their shareholder function but that it was too early to see the impact.

Role and Operation of the States Employment Board

The States Employment Board (SEB) is the statutory employer of all States employees and has wide-ranging functions.

The C&AG concluded that the current arrangements were not fit for purpose:

- there were significant weaknesses in the framework for the oversight of human resources management;
- the arrangements to enable SEB to discharge its functions were poor; and
- SEB had not focussed sufficiently on the monitoring of implementation of improvements.

The C&AG recognised that SEB had initiated changes in how it works and that these improvements were welcome. However, in her view, fundamental change was required to enable SEB to demonstrate that it is exercising effective oversight of human resources across the States.

Overview

Section 1: Performance Report

2019 Highlights

Exhibit 1: Key outputs for 2019

April 2019

Community and Social Services for Adults and Older Adults: Follow-up

The C&AG followed up her 2015 review of Community and Social Services focussing on the implementation of recommendations relating to Adult and Older Adult Services.

The C&AG concluded that progress in implementing her recommendations had been poor. The (then) Health and Social Services Department had failed to take on board her recommendations and those from other external reviews. The C&AG noted that this could have a real impact on people's lives and expressed significant concerns about the way in which services provided to some of the most vulnerable people in Jersey were managed.

The C&AG noted that over the past 12 months arrangements had improved as the Health and Community Services Department had developed new workstreams.

Annual Report and Accounts of the States

The States published their Annual Report and Accounts, including the report by the independent auditor appointed by the C&AG and the report of the C&AG to the States Assembly.

Housing Repairs and Maintenance: Follow-up

The C&AG concluded that Andium Homes had made good progress in implementing recommendations from her 2015 review of management of housing repairs and maintenance. She also found that the States were making some progress in implementing the wider recommendation on procurement.

The C&AG noted that there had been a fundamental change in the way that services are tendered and that this had resulted in an improvement in the quality of service and better value for money.

May 2019

Annual Report and Accounts of the C&AG

The C&AG published her Annual Report and Accounts to the States Assembly. The Annual Report sought to reflect best practice in corporate and public sector reporting by following the requirements of HM Treasury's Financial and Reporting Manual where they were relevant to the States of Jersey. The report highlighted performance of the JAO for 2018 and its priorities leading up to the handover to the new C&AG.

Arrangements for Freedom of Information: Follow-up

The C&AG reported on how effectively change had been secured through implementing recommendations from her 2016 report Arrangements for Freedom of Information.

The C&AG concluded that there has been some progress in implementing recommendations but that a number of key agreed actions had repeatedly stalled. Overall progress, particularly in records management, was disappointing.

Overview

Section 1: Performance Report

2019 Highlights

Exhibit 1: Key outputs for 2019

September 2019

Financial Management and Internal Control

This report followed up and built upon the series of reports that the C&AG had published on financial management and internal control since 2014.

The C&AG recognised that, since the original reports had been issued, an extensive series of finance modernisation initiatives has been set in train. This review assessed the extent to which the detailed work had delivered - and was delivering - the changes that the C&AG recommended in her reports.

The C&AG concluded that progress was being made which should, in time, transform the finance function. She also noted that:

- further investment of time and resources was needed both to implement recommendations and to embed new ways of working;
- the delivery of finance modernisation requires action beyond Treasury and Exchequer; and
- the delivery of recommendations required collective action to ensure that a culture of good governance is seen as the bedrock on which successful change is built and embedded.

October 2019

Remuneration of Board Members

The C&AG reviewed the arrangements that the States had in place to oversee and secure transparency of the remuneration and terms and conditions of the directors (or equivalent) of States owned companies, statutory bodies and bodies with substantial funding from the States of Jersey.

The C&AG noted that it was difficult for the States to demonstrate that Board remuneration is appropriate when there is no overarching policy for Board remuneration. To address that issue, the C&AG recommended the development of an overarching policy including a framework within which:

- the envelope for Board remuneration is established;
- individual Board member remuneration is established, taking into account relevant factors, including comparable roles and market forces; and
- the components of pay packages, including in particular the nature and terms of bonus schemes, are determined.

The C&G noted that there was no single part of Government with responsibility for oversight of Board remuneration and it was not obvious where such a responsibility would lie. It would fall outside the remit of Treasury and Exchequer, Growth, Housing and Environment, the States Employment Board and the Jersey Appointments Commission. In order to progress the development and subsequent oversight of a Board remuneration framework the C&AG concluded that it was necessary to recommend that the States establish and empower an appropriate body or group to do so.

She also concluded that there was a need for enhanced transparency about the remuneration of Board members of some of the bodies. This would provide the public with readily accessible information on Board remuneration in a similar way to that for senior States officers.

Overview

Section 1: Performance Report

2019 Highlights

Exhibit 1: Key outputs for 2019

December 2019

Non-Ministerial Departments

The C&AG reported on the arrangements for governance and accountability of Non-Ministerial Departments. The C&AG recognised that Non-Ministerial Departments have distinct and important roles but also have a shared and important constitutional independence from Government.

The C&AG identified:

- cultural barriers and weaknesses in the arrangements between Non-Ministerial Departments and Government;
- some weaknesses in internal governance of Non-Ministerial Departments (the C&G also recognised the significant steps that individual Non-Ministerial Departments had taken and challenges faced by smaller departments); and
- limited formal mechanisms for oversight of the governance of Non-Ministerial Departments.

The C&AG recommended:

- strengthening the operation of the relationship between the Treasurer of the States and Non-Ministerial Departments;
- clarifying, formalising and strengthening the relationship between the Government of Jersey and Non-Ministerial Departments;
- working collaboratively to address identified weaknesses in governance; and
- facilitating a genuine business partnering approach between the Government of Jersey and Non-Ministerial Departments.

Governance – A Thinkpiece

The C&AG published a ‘Thinkpiece’ on Governance as her final report drawing on her reports and experience over seven years as C&AG. This is discussed on the next page.

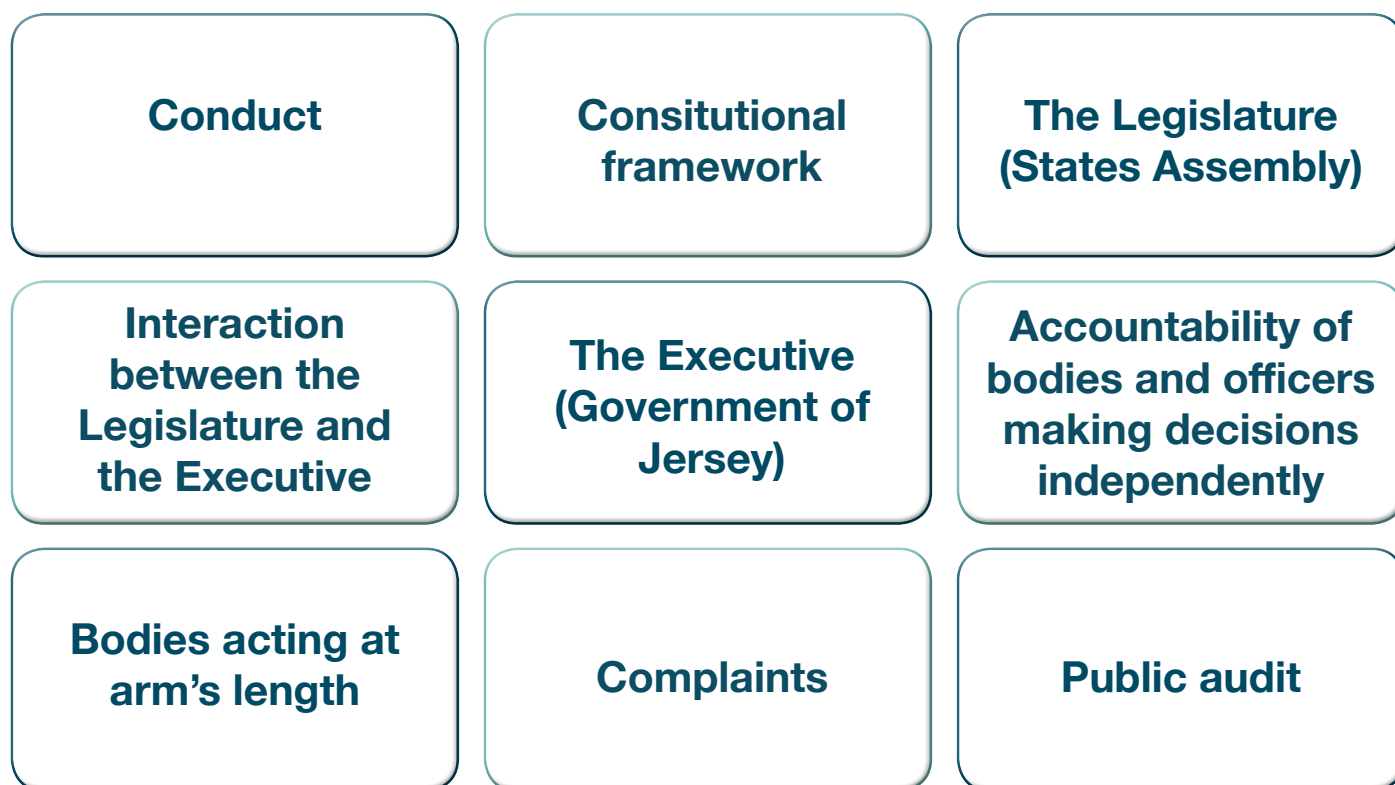
Overview

Section 1: Performance Report

The C&AG's Governance Thinkpiece

The Governance Thinkpiece published by the C&AG in December 2019 covered nine key areas (see Exhibit 2).

Exhibit 2: Areas considered in the C&AG's Thinkpiece



Source: Governance – A Thinkpiece December 2019

The C&AG intended the Thinkpiece to stimulate debate and deliberately avoided making prescriptive recommendations. She noted that:

- good public services are underpinned by good governance – effective, transparent processes for making and implementing decisions;
- good governance embraces sound processes but also ethical behaviour and a commitment to openness;
- the governance arrangements within Jersey have evolved over time and are complex. In many respects they are more developed than those in other Crown Dependencies and Overseas Territories; and

- ultimately, accountability for the use of resources is to the States Assembly but the mechanisms by which that accountability is secured vary significantly. In some areas the differences are justified, in others they have simply evolved over time.

The C&AG reflected upon the improvements in governance that the States had made and that were planned. She also highlighted that good governance is not a static concept. It evolves and the best performing organisations continually strive to improve, including in their governance arrangements. The C&AG issued a press release to accompany the Thinkpiece in which she set out further context (see **Exhibit 3**).

Overview

Section 1: Performance Report

Exhibit 3: The C&AG's comments in her press release for Governance - A Thinkpiece

I have repeatedly addressed governance issues in the reports that I have presented to the States Assembly. Some reports, such as my reports on the Governance of the States of Jersey Police (March 2018) and Governance Arrangements - Health and Social Care (September 2018), were exclusively about governance. Others, such as my reports on Decision making - selecting a site for the Future Hospital (November 2017) and the Role and Operation of the States Employment Board (March 2019), were substantially about governance. Good governance is of increased importance during a period of unparalleled change.

Good governance is characterised by clarity. That clarity facilitates understanding and in turn acceptance as an integral part of the way in which an organisation works. But for well-designed governance structures to be consistently operated as intended, there needs to be an unambiguous tone from all in leadership positions, including politicians and officers, that reinforces to all those in public life the importance of good governance.

Good governance embraces a series of interconnected strands that cannot be considered in isolation. It is vital that, when making changes to one element, the impact on other elements is considered and understood. Careful thought is required at political and officer level, within the Government of Jersey, the wider States and beyond. Genuine engagement and debate is needed to determine whether, how and how fast to move forward on the matters I have identified.

There is no obvious forum to take forward these matters. However, I think that the Public Accounts Committee would be well placed to begin the process.

Whatever structural arrangements are adopted for consideration of the matters that I raise in this report, the quality of that debate will itself demonstrate the States' commitment to good governance.

Source: Governance – A Thinkpiece December 2019

Overview

Section 1: Performance Report

About the C&AG and the JAO

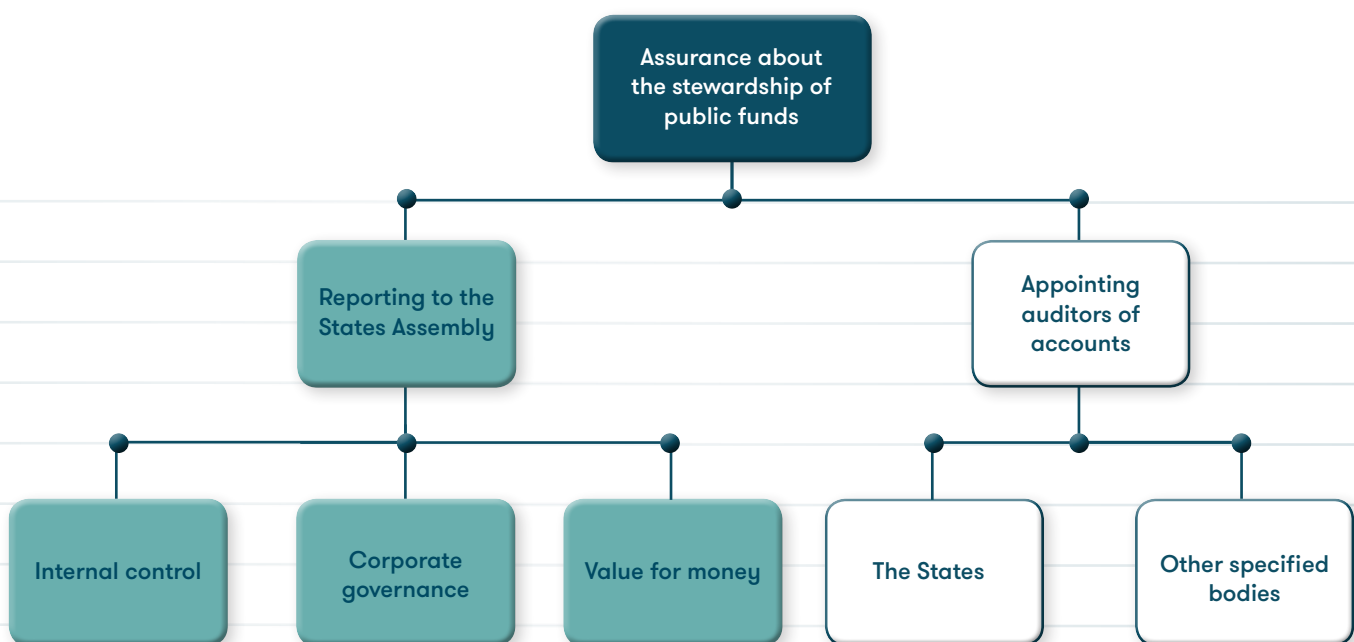
The role of the C&AG

The C&AG is appointed by the States Assembly and is independent of government. Her responsibilities are to:

- report to the States Assembly on the effectiveness of internal control, general corporate governance arrangements and economy, efficiency and effectiveness ('value for money'); and
- appoint auditors of the accounts of the States (including the Social Security Fund, the Social Security (Reserve) Fund, the Health Insurance Fund and the Long Term Care Fund) and certain other specified entities.

She may not be directed in how she discharges her responsibilities. Her role is to evaluate the implementation of policy, but she does not question policy decisions. The C&AG's responsibilities are summarised in **Exhibit 4**.

Exhibit 4: Responsibilities of the Comptroller and Auditor General



As required by statute, the C&AG publishes a Code of Audit Practice, setting out how she discharges her functions. The C&AG plans to update the Code of Audit Practice during 2020. The update will include a public consultation with stakeholders.

The JAO

The C&AG has chosen to discharge her responsibilities through the JAO which she leads. The vision, purpose and values of the JAO are set out in **Exhibit 5**.

Overview

Section 1: Performance Report

Exhibit 5: Vision, purpose and values of the JAO

| | |
|--------------------|--|
| Our vision | To be a trusted and innovative audit organisation that champions good governance and the wise use of public money in Jersey. |
| Our purpose | To provide independent assurance to the people of Jersey that public money is spent economically, efficiently and effectively and that the controls and governance arrangements in place within public bodies demonstrate value for money. |
| Our values | <p>Independence and objectivity We appoint auditors, determine our work plan, carry out our work and report our findings impartially. We are accessible, transparent and responsive. We drive constructive and positive change through our recommendations and follow up. We respond with agility to the ever changing environment in which we operate.</p> <p>Faireness and justice We are open and honest in the way we undertake our work, how we communicate with all stakeholders and how we treat people. We report our evidence-based findings in public, without fear or favour. We undertake audit work as economically, efficiently and effectively as possible.</p> <p>Integrity We speak up for what is right. We strive for and deliver high quality outcomes. We are truthful in making decisions and in responding to challenge. We meet our responsibilities in an ethical and fair way.</p> <p>Credibility We provide insight and promote best practice. We engage proactively with our stakeholders, with whom we work hard to build and maintain trust. Our work follows best practice and is undertaken by a team of reliable and dedicated professionals in accordance with recognised international standards.</p> |

Overview

Section 1: **Performance Report**

JAO resources

In addition to audit firms that are appointed to audit the accounts of the States and certain other specified bodies, the C&AG is supported by a Deputy C&AG and maintains a pool of affiliates with appropriate skills and experience to undertake work on her behalf. The C&AG plans to supplement her affiliate pool during 2020. The JAO works out of serviced accommodation in St Helier.

Key issues and risks

The key issues and risks faced by the C&AG in delivering her objectives relate to:

- finance, including ensuring that the JAO had sufficient resources to discharge the C&AG's responsibilities;
- maintaining the quality of the JAO's work;
- achieving economy, efficiency and effectiveness in the operation of the JAO;
- ensuring good governance of the JAO;
- addressing risks to the continuity of the work of the JAO arising from the end of the C&AG's fixed term, non-renewable appointment on 31 December 2019; and
- maintaining the reputation of the JAO.

More information on how the C&AG has approached these issues and risks is provided the C&AG's Accountability Report (see pages 25 to 27).

Performance summary

During 2019 the JAO:

- delivered its priorities for the year;
- met its final budget allocation; and
- performed favourably when compared to other audit offices.

More information on the JAO's performance is set out in the Performance Analysis.

Performance Analysis

Section 1: Performance Report

Performance Analysis

I have assessed the performance of the JAO in 2019 by:

- reviewing progress against its priorities (pages 15 and 16);
- reviewing its financial performance (pages 18 and 19); and
- comparing costs and outputs with audit offices from other jurisdictions (page 20).

How the JAO is performing against its priorities

The 2017 and 2018 Annual Reports set out priorities for the JAO from September 2018 to December 2019.

Exhibit 6 sets out how the JAO performed against these priorities over this 16 month period.

Exhibit 6: Priorities for September 2018 to December 2019

Priority

Progress as at December 2019

Reflecting in the JAO's work programme the risks arising from organisational change in the States

The States have embarked on a substantial and rapid change programme to drive significant improvements. There are risks to internal control and corporate governance arising from any major change programme.

Developed a programme of audit work that concentrates on risks arising from change including:

- keeping an overview of arrangements for ensuring that control is maintained;
- maintaining a watching brief on changes in arrangements for financial management;
- monitoring the implementation of previous recommendations including on financial management, Community and Social Services for Adults and Older Adults and the States as Shareholder;
- supporting the Public Accounts Committee to develop an effective approach to monitoring improvements in governance; and
- focussing on elements of the States outside the ministerial departments directly affected by the move to the new Target Operating Model.

Delivering relevant, insightful work that supports improvement

To secure greatest value, the work of the JAO should not only hold to account and report clearly and impartially but also provide additional insight that supports improvement in public services.

The JAO's principles include adopting a constructive and positive approach. Project briefs include a requirement to identify the scope for improvements in arrangements.

The pool of highly experienced affiliates was widened (October 2018). Audit work was quality assured to ensure that work was insightful and supported improvement.

Findings and recommendations were discussed with officers before finalising.

There was an increased focus on the States' implementation of agreed recommendations.

Areas not previously subject to audit by the JAO were reviewed, including the work of the States Employment Board and Non-Ministerial Departments.

Performance Analysis

Section 1: Performance Report

How the JAO is performing against its priorities

Exhibit 6: Priorities for September 2018 to December 2019

| Priority | Progress as at December 2019 |
|---|---|
| <p>Demonstrating high standards of governance</p> <p><i>The JAO should embrace the high standards of governance that it expects of others. Reflection on those arrangements was particularly important to promote resilience in a period when the JAO was preparing for a new C&AG taking up office in January 2020.</i></p> | <p>Following the Board of Governance's self-assessment of its effectiveness following its first full year of operation, the Board commissioned the UK National Audit Office (NAO) to carry out an external assessment. The Board has recently received the NAO's report and is developing an action plan in response to the recommendations contained in it.</p> <p>Additional independent member of the Board appointed (December 2018).</p> <p>Effective governance policies in place.</p> <p>Quarterly publication of expenditure incurred, including the expenses of the C&AG.</p> <p>Annual Assurance Statement on the expenses of the C&AG.</p> <p>Earlier publication of the C&AG's 2018 Annual Report and Accounts (brought forward from September to May).</p> <p>Comprehensive handover arrangements to secure a smooth transition to the new C&AG.</p> |
| <p>Delivering value for money</p> <p><i>The JAO is funded from public funds. It is important to demonstrate that those funds are well used.</i></p> | <p>The 2019 Annual Report has been prepared in line with HM Treasury's Financial Reporting Manual to reflect best practice in corporate and public sector financial reporting, including use of comparative information.</p> <p>Good practice procurement processes including:</p> <ul style="list-style-type: none">• competitive tendering process in 2019 for the provider of the audit of the States' financial statements;• additional affiliate appointed following selection process (October 2018); and• move to processing of supplier payments through Supply Jersey and ongoing use of the States' corporate procurement solution for travel and accommodation. |

The C&AG has set updated priorities for the JAO for 2020. These are set out in Priorities for 2020, with each priority being measured by Key Performance Indicators (KPIs) (see pages 21 and 22).

Performance Analysis

Section 1: **Performance Report**

Auditors appointed by the Comptroller and Auditor General

The C&AG appoints firms of accountants to audit the accounts of the States and certain other specified bodies. Annually, the C&AG seeks, obtains and evaluates feedback from the bodies to which she appoints auditors on their performance and engagement.

In the course of the year, the C&AG met regularly with the firm appointed to audit the accounts of the States to keep abreast of progress and to share information of common interest.

In accordance with contractual terms, the C&AG reviewed and, where appropriate, approved requests to carry out non-audit services made by the audit firms that she had appointed. She only did so where she was satisfied that performing such work would not give rise to an actual or perceived threat to the independence of the audit firm or to the C&AG.

The Government of Jersey was keen to bring forward the preparation and audit of the States' annual financial statements for 2019. The previous contract had been tendered based on completion of the audit by 31 May in accordance with the statutory timetable. Earlier completion has a substantial impact on the audit approach and the timing and nature of resource inputs. Following discussions with interested parties, the C&AG decided to terminate the previous contract early (at the completion of the 2018 audit). Following a competitive tendering process, a new contract was awarded to Deloitte LLP. This provides for the completion of the audit by 31 March unless an earlier date is agreed by the C&AG.

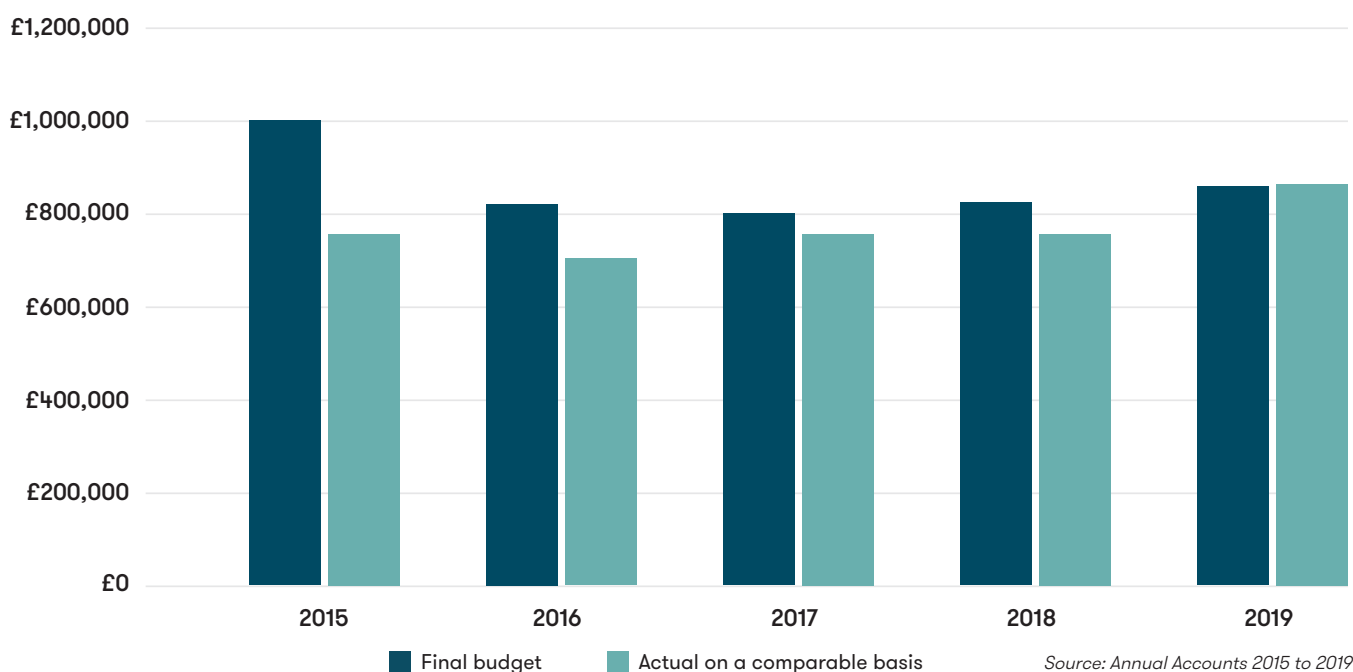
Performance Analysis

Section 1: Performance Report

Financial performance

Resources for the C&AG were allocated through the States' Medium Term Financial Plan. For each of the previous years from 2015 to 2018, the C&AG delivered an underspend compared to the allocated budget. For 2019, the C&AG reports a small overspend. (See [Exhibit 7](#)).

Exhibit 7: Expenditure 2015 to 2019



As anticipated, in 2019 the C&AG incurred costs in excess of the in-year budget and incurred additional expenditure in particular for:

- costs for the recruitment of the new C&AG in excess of budget (£8,200);
- following a competitive tendering process, an increase in the external audit of the accounts of the States of Jersey (£7,700); and
- an increased volume of project work (£13,200).

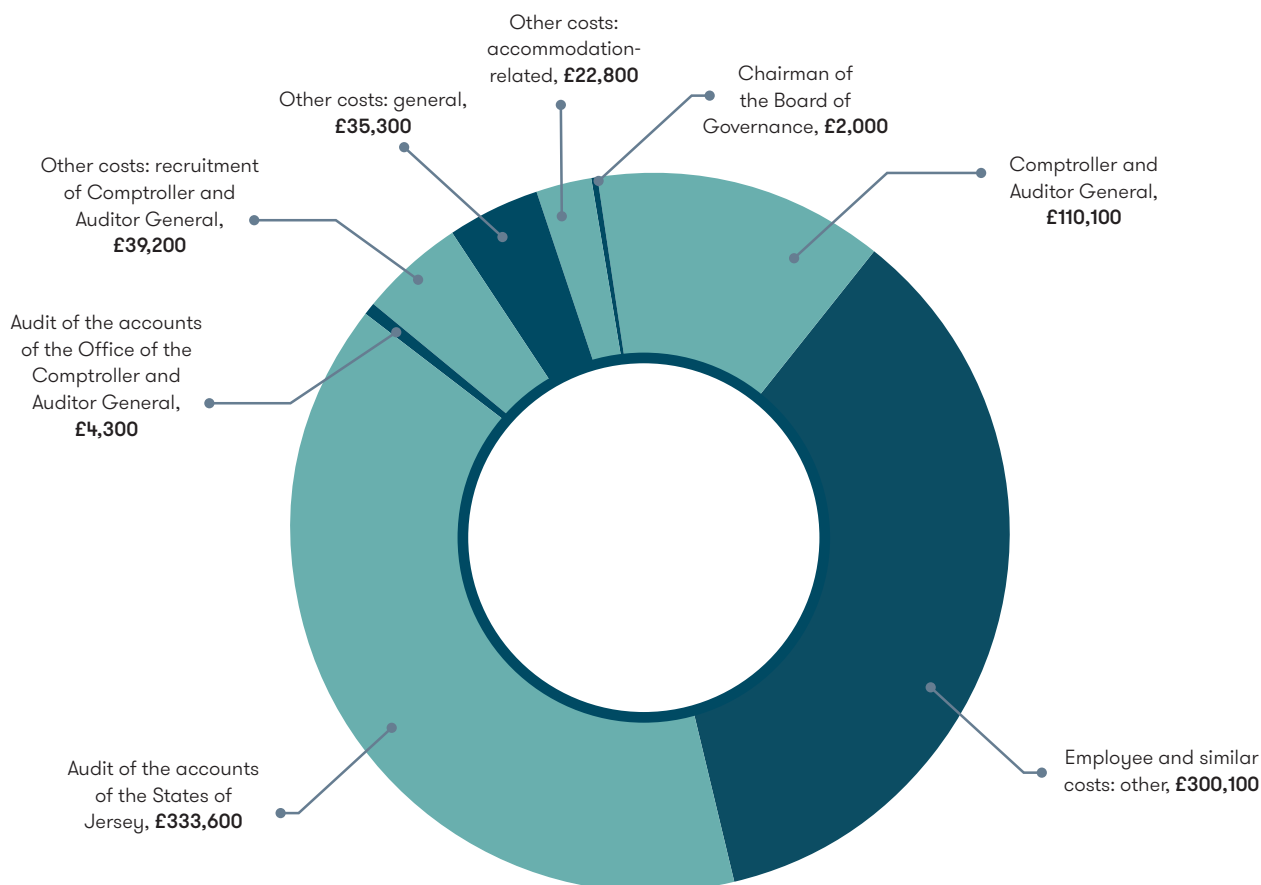
These additional costs were partially offset by savings in respect of other general costs (£16,700), including hotel accommodation and IT development. These savings enabled the C&AG to restrict the overspend against the in-year budget to £15,200. The Treasurer of the States had been kept informed of the planned additional spending and had agreed a contingency to fund any overspend. The final allocation for the Office was increased to £840,700 leading to a reported break-even performance in the States' financial statements. However, due to additional minor in-year adjustments at 31 December 2018 and 31 December 2019, the Office's financial statements report an overspend against final budget of £6,700.

A more detailed analysis of the C&AG's costs for 2019 is set out in [Exhibit 8](#).

Performance Analysis

Section 1: Performance Report

Exhibit 8: Analysis of costs incurred by the C&AG in 2019



Source: Annual Accounts 2019

Further information on the financial performance is provided in the Annual Accounts.

Comparing performance with other audit offices

The C&AG has compared the performance of the JAO with other audit offices (see **Exhibit 9**). The group comprises seven audit offices from British Overseas Territories, Canadian Provinces, Australian States and Territories and an independent country, with populations ranging from 61,000 to 534,000. This is the same comparator group as used in 2017 and 2018.

There are limitations in making comparisons because of differences in the responsibilities of the audit offices, their business models, prevailing costs in the economy, budgetary arrangements and applicable accounting frameworks. However, the overall message is consistent with those from previous years and remains that the C&AG provides a significant volume of reports to the States Assembly at comparatively low cost.

Performance Analysis

Section 1: Performance Report



Exhibit 9: Comparison of 2019 performance with other audit offices

| Indicator | Jersey | Comparator group | |
|--|--------|------------------|------------------|
| | | Average | Range |
| Expenditure of audit office as a proportion of expenditure of government | 0.072% | 0.158% | 0.047% to 0.383% |
| Number of reports (other than on financial statements) issued in year | 9 | 5.1 | 1 to 11 |
| Number of reports (other than on financial statements) per 100,000 population issued in year | 8.43 | 2.95 | 0.58 to 9.52 |

Source: JAO analysis

Environmental impact

The major environmental impact of the JAO is the use of air travel to and from Jersey. The C&AG continues to seek to minimise the use of air travel by effective use of remote working from the UK, including the use of telephone and video conferencing.

Other non-financial information

The JAO seeks to be socially responsible. It supports the Universal Declaration of Human Rights set out by the United Nations and the fight against corruption and bribery. During 2020, the C&AG plans to develop and implement a corporate social responsibility strategy.

Priorities for 2020

Section 1: Performance Report

Priorities for 2020

The JAO's priorities for 2020 build on those for previous years. These, together with relevant key performance indicators are set out in **Exhibit 10**.

Exhibit 10: JAO's priorities for 2020

| Priority | Planned activity | Key Performance Indicators (KPIs) |
|---|--|---|
| High performing audit organisation | <ul style="list-style-type: none"> Update the Code of Audit Practice. Implement an updated audit quality framework. Improve our project management. Measure and consider stakeholder feedback. Enhance benchmarking against other audit organisations. | <ol style="list-style-type: none"> Annual audits delivered to a high quality and to agreed timescales. Number of high quality reports delivered. Reports published to schedule. Benchmarking against other audit offices. |
| Supporting effective scrutiny and accountability | <ul style="list-style-type: none"> Work closely with the Public Accounts Committee to improve effectiveness. Hold a stakeholder event to share best practice and experiences. Hold an outreach event to engage younger people in the work of the Office and of the Public Accounts Committee. | <ol style="list-style-type: none"> Number of Public Accounts Committee meetings supported by our work. Percentage of stakeholders rating our stakeholder event as good or excellent. Correspondence responses issued to schedule. Percentage of stakeholders perceiving us to deliver against our objectives. |
| Making a difference | <ul style="list-style-type: none"> Invest and innovate in the way we communicate and report. Develop our website to be more dynamic. Share best practice more proactively. Develop and implement a corporate social responsibility strategy. | <ol style="list-style-type: none"> Website visits. Report downloads from website. Percentage of recommendations fully accepted for implementation. Percentage of recommendations subsequently implemented. |

Priorities for 2020

Section 1: Performance Report

Exhibit 10: JAO's priorities for 2020

| Priority | Planned activity | Key Performance Indicators (KPIs) |
|---------------------------------------|---|---|
| Building a better organisation | <ul style="list-style-type: none">• Support the appointment process for members of the Board of Governance.• Implementing the findings of the review of effectiveness of the Board.• Refresh the pool of affiliates used to undertake work.• Refresh policies and procedures including the service level agreement with the States.• Embed technology more effectively in the ways we work. | <ol style="list-style-type: none">13. Number of projects supported by effective use of Office 365.14. Performance against budget.15. Percentage reduction in carbon footprint.16. Number of community activities undertaken. |

The Performance Report has been signed on 30 April 2020.

Lynn Pamment

Comptroller and Auditor General



Section 2

Accountability Report

The Accountability Report provides key accountability information to the States Assembly. It comprises:

- the Corporate Governance Report;
- the Remuneration and Staff Report; and
- the Accountability Statement and Audit Report.

Corporate Governance Report

Section 2: **Accountability Report**

Comptroller and Auditor General's Report

I was appointed as C&AG on 1 January 2020. My predecessor, Karen McConnell, was C&AG throughout 2019 and personally directed the activities of the JAO with the support of the Deputy C&AG who remains in post. I have had thorough handover discussions with Karen McConnell and the Deputy C&AG in respect of the arrangements in place for 2019 and have been provided with relevant documentation.

The Board of Governance of the Office of the Comptroller and Auditor General comprised Peter Price (Chairman), Professor Russel Griggs (Independent

Member), Grace Nesbitt (Independent Member) and the C&AG (ex officio).

All members of the Board of Governance have to complete a declaration of interests. No Board members declared significant company directorships or other interests that may have conflicted with their responsibilities. No member of the Board had any other related-party interests.

There were no personal data related incidents during the year reported to the Office of the Information Commissioner.

Statement of Responsibilities of the Comptroller and Auditor General

Under the Comptroller and Auditor General (Jersey) Law 2014, the C&AG is required to prepare annual accounts. The accounts are prepared on an accruals basis.

I confirm that, as far as I am aware, there is no relevant audit information of which the external auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the external auditors are aware of that information.

In preparing these accounts, I have adopted International Public Sector Accounting Standards issued

by the International Public Sector Accounting Standards Board and, in particular, I have:

- observed the relevant accounting and disclosure requirements and applied suitable accounting policies on a consistent basis;
- made judgements and estimates on a reasonable basis; and
- prepared the accounts on a going concern basis.

I confirm that this Annual Report and Accounts as a whole is fair, balanced and understandable.

Corporate Governance Report

Section 2: **Accountability Report**

Governance Statement

My responsibilities

The C&AG has responsibility for maintaining effective governance and a sound system of internal control that supports the achievement of the JAO's policies, aims and objectives, while safeguarding the public funds and assets.

How the C&AG discharges her responsibilities

Given the small size of the JAO, the C&AG performs her functions without a formal management team. In her absence she delegates her responsibilities to the Deputy C&AG.

In December 2019, the C&AG delegated all of the C&AG's functions in respect of the management of the contracts between the C&AG, the Treasurer of the States and PricewaterhouseCoopers LLP (PwC) for the external audits of the Public Employees' Pension Scheme and the Jersey Teachers' Superannuation Fund to the Deputy C&AG.

The C&AG secures an effective system of governance and a sound system of internal control including by:

- preparing, communicating and implementing appropriate policies and procedures, in areas such as complaints and data security;

- to the extent appropriate to the circumstances of the JAO, using the corporate financial and other systems of the States of Jersey. For financial systems, a Service Level Agreement is in place. Using such systems means that the JAO does not maintain its own bank account with the attendant risks;
- monitoring expenditure against budget;
- seeking professional advice from the States where necessary and appropriate, including from the Law Officers' Department and the States' corporate procurement team;
- maintaining a contracts register and a gifts and hospitality register; and
- reviewing the performance of the appointed auditors.

Risk management

The C&AG operates a risk register that captures those risks with the potential to have a significant adverse impact on the operation of the JAO. The risk register is organised around key themes as summarised in **Exhibit 11**.

Corporate Governance Report

Section 2: **Accountability Report**

Exhibit 11: Key Risks

| Theme | Key areas and actions in year |
|----------------|---|
| Finance | <p>As anticipated, there were additional pressures on the allocated budget for 2019 due to:</p> <ul style="list-style-type: none">• the recruitment costs for the new C&AG;• undertaking a procurement exercise at least a year earlier than planned for the external audit of the financial statements of the States of Jersey;• bringing forward the timetable for the audit of the financial statements;• the potential additional costs for the C&AG designate shadowing the C&AG; and• conclusion of some high profile reviews. <p>The Deputy C&AG wrote to the Treasurer of the States outlining the potential overspend. The letter was also presented to the Public Accounts Committee. The Treasurer of the States agreed to make available a contingency of up to £100,000 to meet the identified cost pressures. Ultimately, the Treasurer of the States increased the C&AG's final budget allocation by £15,200, enabling the C&AG to report a break even position for the year.</p> <p>As noted in the 2018 Annual Report, the JAO does not have remote access to financial information relating to its expenditure. It is unlikely that this will be made available to the JAO. The JAO will continue to rely on reports to the JAO prepared by the States Treasury and Exchequer.</p> <p>All major suppliers were moved to Supply Jersey by December 2019. However, some suppliers have yet to load invoices using Supply Jersey. The JAO is tracking those suppliers and emailing reminders and instructions.</p> |
| Quality | <p>To secure the quality of work undertaken directly, the C&AG applied rigorous quality assurance to all work.</p> <p>For auditors appointed by the C&AG to the States and certain other specified bodies:</p> <ul style="list-style-type: none">• the appointment process includes consideration of quality; and• the C&AG maintains an oversight of audit contracts. This includes seeking and evaluating feedback on the performance of auditors. <p>The Government of Jersey decided to bring forward the preparation of the States' annual financial statements for the year ended 2019 and requested that the audit process was also advanced. The Government of Jersey was also keen to advance the timetable further for subsequent years. Given that the existing contract reflected completion of the audit to a later timetable, the C&AG brought the existing contract to an end after completion of the 2018 audit. A competitive tendering process was held and a new audit firm appointed.</p> <p>The C&AG's primary concern is to ensure that any further proposals to bring forward the timetable for the audit process do not undermine the quality of the work done. The C&AG is in regular liaison with the auditors and the Treasurer of the States.</p> |

Corporate Governance Report

Section 2: **Accountability Report**

Exhibit 11: Key Risks

| Theme | Key areas and actions in year |
|--|--|
| Economy, efficiency and effectiveness | <p>Appointments continue to be made following a competitive process.</p> <p>No new affiliates were appointed in 2019. Affiliates have been appointed following competitive procurement processes in previous years.</p> <p>Business cases prepared for significant procurement decisions are shared with the Board.</p> <p>The JAO continues to use the States' corporate procurement solution for travel and accommodation.</p> |
| Governance | <p>As noted in the 2018 Annual Report, there were risks to the continuity of the work of the JAO arising from the end of the C&AG's fixed term, non-renewable appointment on 31 December 2019.</p> <p>The C&AG and the Board of Governance focussed on the steps necessary to secure a smooth transition. The recruitment process for the incoming C&AG was completed in good time and a handover protocol was agreed and implemented.</p> <p>A draft audit plan for 2020 was issued for discussion with the PAC and key officers in December 2019. This was finalised by the incoming C&AG in January 2020.</p> <p>The Board of Governance has undertaken a full programme of work to discharge its statutory responsibilities. During 2019, the Board commissioned the UK National Audit Office to carry out a review of its effectiveness (see Exhibit 6 above).</p> |
| Reputation | <p>The C&AG has recognised the risk that, during a period of change for the States, the work of the JAO might lack impact or be seen as not relevant.</p> <p>Preparation of the Audit Plan for 2020 included consultation with key officers and the Public Accounts Committee.</p> <p>The C&AG has ongoing liaison with new members of the States Assembly, the Public Accounts Committee, the Chief Executive of the States, the Treasurer of the States, other senior states officers and the Risk and Audit Committee.</p> <p>The C&AG plans to update the Code of Audit Practice during 2020, following public consultation with stakeholders.</p> <p>The C&AG also plans to hold a stakeholder event to share experience and practice.</p> |

Corporate Governance Report

Section 2: **Accountability Report**

Personal data related incidents

There were no protected personal data related incidents reportable to the Office of the Information Commissioner in 2019 for my Office. Neither were there any other personal data related incidents.

The Board of Governance

The Board of Governance, established under the Comptroller and Auditor General (Board of Governance) (Jersey) Order 2015, is responsible for keeping under review whether the resources provided to the C&AG by the States Assembly have been and are being used properly, efficiently and effectively.

The Order provides for the membership of the Board to comprise 2 or 3 independent members appointed by the States, plus the C&AG, with a quorum of the C&AG and at least 2 independent members. The membership of the Board is detailed in **Exhibit 12**.



Exhibit 12: Membership of the Board of Governance



Peter Price, Chairman (2016 to date)

Peter Price has had an extensive career in law, politics, and wider public service, including 15 years as a member of the European Parliament, where he served as Chair of the Budgetary Control Committee.

Previous appointments include as a Non-Executive Director of the Wales Audit Office, a Non-Executive Director of the Welsh Ambulance Services NHS Trust and a Governor of Thames Valley University.



Professor Russel Griggs OBE, Independent Member (2016 to date)

Russel Griggs is an experienced business professional and has worked in a number of large private businesses as well as in large organisations and projects in the public sector.

He has held a wide range of executive and non-executive roles in private, public, and charitable institutions, including the Lending Standards Board, Scottish Mines Restoration Trust, Marie Curie Cancer Trust and the Audit Committee of the Department of Employment and Learning in Northern Ireland. He is a former Board member of Audit Scotland and served as Chair of its Remuneration Committee.

Corporate Governance Report

Section 2: **Accountability Report**

Exhibit 12: Membership of the Board of Governance



Grace Nesbitt OBE, Independent Member (2018 to date)

Grace Nesbitt is a senior human resources professional in the Northern Ireland Civil Service. Grace is currently responsible for Public Service and Civil Service Pensions with 100 staff and a budget of £300 million.

Grace is also an independent member of two public sector audit committees and a Director of a social enterprise company which provides training and work opportunities for disadvantaged adults.



Karen McConnell, Comptroller and Auditor General (2014 to 2019) and ex officio member of the Board (2016 to 2019)

Karen McConnell was appointed by the States Assembly in 2013 and in 2014 her appointment was extended to 2019. Prior to taking up post, Karen held a variety of senior positions at the UK Audit Commission, including leading the Audit Practice and its 900 staff through the transition of outsourcing the Commission's work to the private sector during 2011 and 2012. Being directly accountable to the Chief Executive and the Board for the performance of the Audit Practice, during that time Karen also delivered a budget of £106 million income and £60 million expenditure and oversaw a complex work programme at 232 health bodies and 429 principal local government bodies (including police, fire and probation).

Karen is a Non-Executive Director of East and North Hertfordshire NHS Trust and chairs its Finance and Performance Committee.



Lynn Pamment, Comptroller and Auditor General and ex officio member of the Board (2020 to date)

Prior to her appointment as C&AG, Lynn was a lead partner in PwC UK's Government and Public Sector Assurance practice where she gained over 30 years' experience of working in an assurance and advisory capacity with public and private sector organisations in the UK and beyond. She was also PwC's Cardiff Office Senior Partner responsible for PwC's practice of over 250 professional staff in Wales.

Lynn is a first class honours graduate from Cardiff University. She is a prize winning member of the Institute of Chartered Accountants in England and Wales (ICAEW) and is also a member of the Chartered Institute of Public Finance and Accountancy (CIPFA).

Lynn is a UK member of the International Public Sector Accounting Standards Board and is the Chair of the Financial Reporting Advisory Board to UK HM Treasury.

Corporate Governance Report

Section 2: **Accountability Report**

The terms of office for Peter Price (Chairman) and Professor Russel Griggs OBE (Independent Member) are due to come to an end during 2020. There will be a recruitment process for both positions, carried out in accordance with Jersey Appointments Commission guidance.

The Board is responsible for:

- scrutinising the use of resources by and the governance arrangements of the C&AG;
- reporting any concerns to the Chief Minister and the Chairman of the Public Accounts Committee;
- if requested by the Chairman of the Public Accounts Committee, advising on the appointment of auditors of the accounts of the C&AG;
- reviewing any estimates submitted by the C&AG to the Chairman of the Public Accounts Committee for the purposes of the Medium Term Financial Plan or the budget;
- reviewing the audited accounts of the C&AG; and
- if requested by the C&AG, advising on the appointment, remuneration and terms and conditions of the Deputy C&AG.

The Board also has a power to prepare an assurance report on the expenses of the C&AG.

How the Board of Governance discharged its responsibilities

The Board met four times in the course of 2019. With the exception of one meeting, for which Professor Russel Griggs was unable to attend because of illness, all members of the Board attended all meetings. The Board focussed in particular on the arrangements for securing a smooth transition for the start of my term of office as C&AG on 1 January 2020.

The Board also:

- reviewed the risk register prepared for the JAO;
- monitored the financial performance of the JAO, including the expenses incurred by the C&AG;
- reviewed the gifts and hospitality register maintained for the JAO;
- received and reviewed the report from the external auditors appointed by the Chairman of the Public Accounts Committee on the 2018 accounts; and
- approved an assurance statement on the C&AG's 2018 expenses. For 2019, the Board has prepared an assurance statement for the C&AG's 2019 expenses and this is included within this Accountability Report.

The Board did not report any matter to the Chief Minister and Chairman of the Public Accounts Committee.

During 2019, the Board commissioned the UK National Audit Office to review its effectiveness (see **Exhibit 6** above).

Compliance with the principles set out in the Public Finances Manual

The Public Finances Manual came into force on 1 January 2020. It sets out high level principles for financial management for the States of Jersey. **Exhibit 13** sets out how the principles for Accountable Officers of Non-Ministerial Departments apply to the C&AG and the work of the JAO.

Corporate Governance Report

Section 2: **Accountability Report**



Exhibit 13: Principles for Accountable Officers of Non-Ministerial Departments

Principle set out in the Public Finances Manual

Accountability lies far beyond what is included in the Law. The Accountable Officers are personally responsible for managing their area of responsibility efficiently and effectively, and for reporting to the States Assembly accurately and transparently. Initiatives and activities should be assessed through the 'Accountable Officer lens' to assess whether they meet the four essential standards of:

- proprietary
- regularity
- value for money
- feasibility

Accountable Officers should be able to describe how they contribute to strategic outcomes and departmental objectives over time and how they will measure progress made and or service performance in alignment with the Jersey Standard for Performance Management and Business Planning.

The functions of an Accountable Officer may be delegated to another person(s), however, personal accountability for those functions cannot be delegated. All delegations must be documented and recorded appropriately.

Accountable Officers must ensure that there are procedures in place to ensure proper control and assurance frameworks exist throughout the Government of Jersey. Internal and external audit findings assess and test internal controls and performance. These audit findings should be used in conjunction with other measures to continually improve internal controls and performance.

How these principles apply to the C&AG and the JAO

The C&AG supports the principle of accountability and the four essential standards.

Section 2 of the Annual Report (Accountability Report) sets out how the C&AG has demonstrated accountability of her office.

The C&AG applies the four essential standards in discharging her responsibilities. She has also set principles and values for the JAO that are consistent with the standards (see **Exhibit 5**).

As noted on page 28, the Board of Governance is responsible for keeping under review whether resources provided to the C&AG by the States Assembly have been and are being used properly, efficiently and effectively.

Section 1 of the Annual Report (Performance Report) sets out:

- the purpose of the JAO;
- a performance analysis including an assessment of performance against priorities; and
- priorities for 2020 including KPIs.

The C&AG has chosen to discharge her responsibilities through the JAO which she leads. The role of the JAO is set out in more detail in About the C&AG and the JAO (pages 12 to 14).

The C&AG has formally documented the following delegation of functions to the Deputy C&AG:

- all functions in the C&AG's absence; and
- all functions in respect of the oversight of the contract with PwC for the audit of the Public Employees' Pension Scheme and the Jersey Teachers' Superannuation Fund.

- The C&AG has put appropriate procedures in place. These are summarised in the C&AG's corporate governance report (pages 24 to 33).
- The financial statements for JAO are audited by Grant Thornton Limited. (See independent auditor's report on pages 35 and 36.) There were no recommendations from the external auditor arising from the audit of the 2019 financial statements.

Corporate Governance Report

Section 2: **Accountability Report**

Exhibit 13: Principles for Accountable Officers of Non-Ministerial Departments

Principle set out in the Public Finances Manual

In addition, Accountable Officers should apply the overarching test of: “Could this course of action be satisfactorily defended in public?” The Nolan Principles are of particular importance to the proper performance of the role.

Accountable Officers should work together for the common good of the Government of Jersey.

How these principles apply to the C&AG and the JAO

The C&AG fully supports and applies the Nolan Principles. These are reflected in the JAO’s principles and values (see **Exhibit 5**) and the work carried out by the JAO.

The C&AG is appointed by the States Assembly and is independent of government.

As reflected in the principles and values of the JAO (**Exhibit 5**) auditors should be independent and seen to be independent of those they audit. They should not undertake any work that might impair their independence or might reasonably be perceived to do so.

Insofar as it is consistent with the C&AG’s and JAO’s independence, the C&AG adopts a positive and constructive approach. This is reflected in the JAO’s principles (**Exhibit 5**).

Quality of data used

Both the Board of Governance and the C&AG rely on financial information drawn from the States of Jersey’s financial systems that are subject to review and scrutiny by the Deputy C&AG and an affiliate working for the C&AG. Both the Board of Governance and I are satisfied that such financial information is acceptable for the purposes for which it is used.

Review of effectiveness

I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by my own work, the work of my predecessor, the work of those working for me, the work of the Board of Governance and information received from the States. Based on that review I am satisfied with the arrangements in place for governance, risk and internal control.

Significant internal control weaknesses

I am able to report that there were no significant weaknesses in the JAO’s system of internal controls in 2019 that affected the achievement of the JAO’s key policies, aims and objectives.

Lynn Pamment

Comptroller and Auditor General

30 April 2020

Corporate Governance Report

Section 2: **Accountability Report**

Remuneration and Staff Report

The JAO relies on the services of eight independent contractors, including the C&AG and the Deputy C&AG. Expenditure on these independent contractors is reported in the Annual Accounts and expenditure on the C&AG and on the Deputy C&AG is identified separately. The remuneration of independent contractors comprises only fees and they do not receive any bonuses, non-cash benefits or pension benefits.

The C&AG is remunerated at a daily rate under the terms of a contract entered into on behalf of the Chief Minister and the Chairman of the Public Accounts Committee.

Remuneration for the Deputy C&AG is subject to statutory oversight by the Board of Governance.

The remuneration of the Chairman of the Board of Governance is reported in the Annual Accounts. His remuneration is determined by the States Assembly.

The JAO has had no States employees assigned to it since October 2017.

No payments in compensation for loss of office were made in the year.

The Accountability Report has been signed on 30 April 2020

Lynn Pamment

Comptroller and Auditor General

Accountability Statement and Audit Report

Section 2: **Accountability Report**

Report of the Board of Governance of the Office of the Comptroller and Auditor General to the States Assembly on the expenses of the Comptroller and Auditor General.

Article 5(7) of the Comptroller and Auditor General (Board of Governance) Jersey Order 2015 provides that the Board may prepare an assurance report upon the annual expenses of the Comptroller and Auditor General.

Scope of our work

We have through the course of 2019 and in preparing this statement:

- received an analysis of the expenses incurred by and on behalf of the Comptroller and Auditor General for travel and subsistence for the year ended 31 December 2019;
- assessed the reasonableness of those expenses in light of the role of the Comptroller and Auditor General;
- sought explanations for any unusual items; and
- evaluated the reasonableness of such explanations.

Statement

No matters have arisen from our work that we wish to draw to the attention of the States Assembly.

Peter Price

Chairman

For and on behalf of the Board of Governance of the Office of the Comptroller and Auditor General

30 April 2020

Accountability Statement and Audit Report

Section 2: **Accountability Report**

Independent Auditor's Report to the Comptroller and Auditor General

Opinion

We have audited the financial statements of the Office of the Comptroller and Auditor General (the 'Office of the C&AG') for the year ended 31 December 2019 which comprise the Statement of comprehensive net expenditure, Statement of financial position, Statement of comparison of budget and actual amounts and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Public Sector Accounting Standards (IPSAS).

In our opinion, the financial statements:

- give a true and fair view of the state of the Office of the C&AG's affairs as at 31 December 2019 and of its total comprehensive net expenditure for the year then ended;
- are in accordance with International Public Sector Accounting Standards; and
- are in accordance with the requirements of the Comptroller and Auditor General (Jersey) Law 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Office of the C&AG in accordance with the ethical requirements that are relevant to our audit of the financial statements in Jersey, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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

Other information

The Comptroller and Auditor General is responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Accountability Statement and Audit Report

Section 2: **Accountability Report**

Responsibilities of the Comptroller and Auditor General for the financial statements

As explained more fully in the Corporate Governance Report set out on pages 24 to 33 of the Annual Report and Accounts, the Comptroller and Auditor General is responsible for the preparation of the financial statements in accordance with the Comptroller and Auditor General (Jersey) Law 2014.

In preparing the financial statements, the Comptroller and Auditor General is responsible for applying the going concern principle, applying appropriate accounting policies in a consistent manner and making reasonable and prudent judgements and estimates.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high

level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton Limited

Chartered Accountants

St Helier, Jersey, Channel Islands

30 April 2020



Section 3 Annual Accounts

Office of the Comptroller and Auditor General:
Annual Accounts for the year ended 31 December 2019

Annual Accounts

Section 3: Annual Accounts

Statement of comprehensive net expenditure

For the year ended 31 December 2019

| | Notes | 2019 | 2018 |
|---|-------|----------------|----------------|
| Expenses | | £ | £ |
| Employee and similar costs: Chairman of the Board of Governance | | 2,000 | 2,000 |
| Employee and similar costs: Comptroller and Auditor General | | 110,100 | 98,800 |
| Employee and similar costs: other | 4 | 300,100 | 281,400 |
| Other costs: audit of the accounts of the States of Jersey | 5 | 333,600 | 314,600 |
| Other costs: audit of the accounts of the Office of the Comptroller and Auditor General | | 4,300 | 4,200 |
| Other costs: recruitment of Comptroller and Auditor General | | 39,200 | 0 |
| Other costs: general | 6 | 35,300 | 43,700 |
| Other costs: accommodation-related | 7 | 22,800 | 19,700 |
| Total comprehensive net expenditure | | 847,400 | 764,400 |

Annual Accounts

Section 3: Annual Accounts

Statement of financial position

For the year ended 31 December 2019

| | Notes | 31 December 2019 | 31 December 2018 |
|--|-------|------------------|------------------|
| Assets | | | |
| Current assets | | £ | £ |
| Trade receivables from exchange transactions | 8 | 4,900 | 6,000 |
| Receivables from non-exchange transactions: States of Jersey Consolidated Fund | | 426,500 | 399,100 |
| Total assets | | 431,400 | 405,100 |
| Liabilities | | | |
| Current liabilities | | £ | £ |
| Trade payables from exchange transactions | 9 | 431,400 | 385,300 |
| Provisions | 10 | 0 | 8,800 |
| Total current liabilities | | 431,400 | 394,100 |
| Non-current liabilities | | £ | £ |
| Provisions | 10 | 0 | 11,000 |
| Total non-current liabilities | | 0 | 11,000 |
| Total liabilities | | 431,400 | 405,100 |
| Net asset | | 0 | 0 |

Annual Accounts

Section 3: Annual Accounts

Statement of comparison of budget and actual amounts

For the year ended 31 December 2019

| | Notes | 2019 | 2018 |
|--------------------------------|-------|----------|----------|
| Net revenue expenditure | | £ | £ |
| Original budget | 18 | 817,400 | 817,400 |
| Adjustments | 18 | 14,800 | 1,000 |
| Revised budget | 18 | 832,200 | 818,400 |
| Further adjustment | 18 | 8,500 | 0 |
| Final budget | 18 | 840,700 | 818,400 |
| Actual on comparable basis | | 847,400 | 764,400 |
| Performance difference | | (6,700) | 54,000 |

Annual Accounts

Section 3: Annual Accounts

Notes to the financial statements

1. General Information

These financial statements were authorised for issue by the Comptroller and Auditor General on 30 April 2020.

The Comptroller and Auditor General is a corporation sole established by the States of Jersey under the Comptroller and Auditor General (Jersey) Law 2014. The financial activities of the Office of the Comptroller and Auditor General are included within the financial statements of the States of Jersey presented to the States Assembly by the Minister for Treasury and Resources (R.33/2020).

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

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

2. Statement of compliance and basis of preparation

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

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

3. Summary of significant accounting policies

a) Reporting financial performance

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

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

b) Recognition of expenditure

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

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

Expenditure is reported net of Goods and Services Tax.

c) Property, plant and equipment

The Office of the Comptroller and Auditor General's policy is to recognise property, plant and equipment in the financial statements at cost less accumulated depreciation where the cost of an individual item or

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group of items exceeds £10,000. No such items were held at 31 December 2019 (or 31 December 2018).

d) Leases

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

e) Provisions

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

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

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

f) Employee benefits

The Office of the Comptroller and Auditor General previously received the services of a member of staff employed by the States of Jersey who is a member of the Public Employees' Pension Fund (PEPF). The costs of that member of staff are included in the Statement of Comprehensive Net Expenditure.

Retirement benefits

The States of Jersey on behalf of the Office of the Comptroller and Auditor General made a contribution to PEPF. The Office is not subject to any contractual agreement, binding arrangement or stated policy for charging any defined benefit cost to the Office. The contributions to PEPF are therefore charged in the year in which they become payable.

g) Related parties

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

h) Changes in accounting policies and estimates

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

There are no changes in accounting policy compared with the financial statements for the year ended 31 December 2018.

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

i) Classification of expenses

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

j) Budget information

The annual budget for the expenditure of the Office of the Comptroller and Auditor General is prepared on the basis of 'near cash' expenditure as defined in the

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Jersey Financial Reporting Manual (which is based on International Financial Reporting Standards as adopted by the European Union). The budget classification used is that adopted by the States of Jersey.

k) Significant judgements and sources of estimation uncertainty

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

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

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

The Office of the Comptroller and Auditor General has identified an assumption concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as described below. The Comptroller and Auditor General based her assumptions and estimates on parameters available

when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to circumstances arising beyond the control of the Office of the Comptroller and Auditor General. Such changes are reflected in the assumptions when they occur.

Restructuring provisions were raised and reviewed and the Comptroller and Auditor General determined an estimate based on the information available. Additional disclosure of the estimate of the provisions is included in Note 10. The provisions were measured at the Comptroller and Auditor General's best estimate of the expenditure required to settle the obligations at the reporting date.

l) New IPSAS

The Office of the Comptroller and Auditor General has determined that IPSAS 40 Public Sector Combinations that applies to financial statements for periods commencing on or after 1 January 2019 has no impact on the reported financial position or performance of the Office.

The Office of the Comptroller and Auditor General has determined that:

- IPSAS 41 Financial Instruments; and
- IPSAS 42 Social Benefits

for which first time adoption is required for financial periods beginning on or after 1 January 2022 but early adoption is permitted will have no impact on the reported financial position or performance of the Office.

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4. Employee and similar costs: other

| | 2019 | 2018 |
|--|----------------|----------------|
| | £ | £ |
| Deputy Comptroller and Auditor General | 92,800 | 86,500 |
| Affiliates | 133,400 | 117,600 |
| States employee and communication & administrative support | 73,900 | 77,300 |
| Total | 300,100 | 281,400 |

The staff costs for the States employee includes an employer contribution of £500 (2018: £400) to the Public Employees' Pension Fund.

5. Other costs: audit of accounts of the States of Jersey

This expenditure is stated net of a charge to the States of Jersey's Social Security Funds of £64,200 (2018: £61,400).

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6. Other costs: general

| | 2019 | 2018 |
|---|---------------|---------------|
| | £ | £ |
| Non-audit services provided by the auditors of the States of Jersey | 0 | 7,400 |
| ICT support | 4,500 | 6,600 |
| Communications | 2,200 | 2,100 |
| Travel and accommodation: Chairman of the Board of Governance | 300 | 700 |
| Travel and accommodation: Comptroller and Auditor General | 10,100 | 8,100 |
| Travel and accommodation: Deputy Comptroller and Auditor General | 4,700 | 3,400 |
| Travel and accommodation: other | 13,000 | 14,900 |
| Administration | 500 | 500 |
| Total | 35,300 | 43,700 |

7. Other costs: accommodation-related

| | 2019 | 2018 |
|--------------------------|---------------|---------------|
| | £ | £ |
| Premises and maintenance | 22,100 | 18,900 |
| Printing and stationery | 700 | 800 |
| Total | 22,800 | 19,700 |

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Notes to the financial statements

8. Trade receivables from exchange transactions

| | 2019 | 2018 |
|--------------|--------------|--------------|
| | £ | £ |
| Prepayments | 4,900 | 6,000 |
| Total | 4,900 | 6,000 |

9. Trade payables from exchange transactions

| | 2019 | 2018 |
|----------------|----------------|----------------|
| | £ | £ |
| Trade payables | 26,000 | 500 |
| Accruals | 405,400 | 384,800 |
| Total | 431,400 | 385,300 |

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Notes to the financial statements

10. Provisions

| | Current provision | Non-current provision | Total provisions |
|--|-------------------|-----------------------|------------------|
| | £ | £ | £ |
| Balance at 1 January 2019 | 8,800 | 11,000 | 19,800 |
| Reversal of provision | (8,800) | (2,300) | (11,100) |
| Provision utilised | (8,700) | 0 | (8,700) |
| Transfer from non-current to current provision | 8,700 | (8,700) | 0 |
| Balance at 31 December 2019 | 0 | 0 | 0 |

The provisions related to a restructuring of the operations of the Office undertaken in 2017 was calculated on the basis of the Comptroller and Auditor General's assessment of the most likely amount and timing of payments necessary to discharge contractual obligations. Uncertainty was related to the actual amounts and timing of sums necessary to discharge those contractual obligations.

11. Financial instruments - financial risk management

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

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

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

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

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

12. Related party disclosures

Terms and conditions of transactions with related parties
Karen McConnell, who was Comptroller and Auditor General during 2019 and 2018 was engaged on a self-employed basis. Stephen Warren is engaged as Deputy Comptroller and Auditor General on a self-employed basis. Purchases from Karen McConnell and Stephen Warren were made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured, interest-free and settled in cash. There have been no guarantees provided to or received from any related party.

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Key management personnel

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

States of Jersey

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

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

States of Jersey Social Security Funds

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

13. Operating lease payments

Future minimum lease payments under an operating lease relate to office accommodation and associated equipment and amount to £50,000 (2018: £53,000), £27,500 (2018: £18,800) of which is payable within one year, with the remaining £22,500 (2018: £34,200) being payable between 2 to 5 years inclusive.

Lease payments recognised as an expense during the period amounted to £24,300 (2018: £20,700).

14. Contingent liabilities

At the end of the financial year the Office of the Comptroller and Auditor General had no contingent liabilities (31 December 2018: nil).

15. Segment information

For management purposes the Office of the Comptroller and Auditor General is treated as comprising only two business units - one covering the governance of the Office of the Comptroller and Auditor General and one covering all other expenditure.

Expenditure attributable to the governance business unit comprises:

- the remuneration and expenses of the independent members of the Board of Governance established under the Comptroller and Auditor General (Board of Governance) (Jersey) Order 2015;
- a proportion of the remuneration of the Comptroller and Auditor General reflecting the time spent preparing for and attending meetings of the Board;
- a proportion of the remuneration of the Deputy Comptroller and Auditor General reflecting the time spent in his capacity as Secretary of the Board;
- the fee for the audit of the accounts of the Office of the Comptroller and Auditor General; and
- other costs directly related to the work of the Board.

The Office of the Comptroller and Auditor General operates in only one geographic location and therefore no segments are monitored geographically.

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Reportable segments 2019

| | General operations | Governance | Total |
|---|--------------------|---------------|----------------|
| Segment expenses | £ | £ | £ |
| Employee and similar costs: Chairman of the Board of Governance | 0 | 2,000 | 2,000 |
| Employee and similar costs: Comptroller and Auditor General | 105,800 | 4,300 | 110,100 |
| Employee and similar costs: other | 294,100 | 6,000 | 300,100 |
| Other costs: audit of the accounts of the States of Jersey | 333,600 | 0 | 333,600 |
| Other costs: audit of the accounts of the Office of the Comptroller and Auditor General | 0 | 4,300 | 4,300 |
| Other costs: recruitment of Comptroller and Auditor General | 39,200 | 0 | 39,200 |
| Other costs: general | 33,700 | 1,600 | 35,300 |
| Other costs: accommodation-related | 22,800 | 0 | 22,800 |
| Total comprehensive net expenditure | 829,200 | 18,200 | 847,400 |

| | General operations | Governance | Total |
|---------------------|--------------------|------------|---------|
| Other information | £ | £ | £ |
| Segment assets | 426,500 | 4,900 | 431,400 |
| Segment liabilities | 426,500 | 4,900 | 431,400 |

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Reportable segments 2018

| | General operations | Governance | Total |
|---|--------------------|---------------|----------------|
| Segment expenses | £ | £ | £ |
| Employee and similar costs: Chairman of the Board of Governance | - | 2,000 | 2,000 |
| Employee and similar costs: Comptroller and Auditor General | 96,100 | 2,700 | 98,800 |
| Employee and similar costs: other | 272,800 | 8,600 | 281,400 |
| Other costs: audit of States of Jersey's accounts | 314,600 | - | 314,600 |
| Other costs: audit of the accounts of the Office of the Comptroller and Auditor General | - | 4,200 | 4,200 |
| Other costs: general | 42,300 | 1,400 | 43,700 |
| Other costs: accommodation-related | 19,700 | - | 19,700 |
| Total comprehensive net expenditure | 745,500 | 18,900 | 764,400 |

| | General operations | Governance | Total |
|---------------------|--------------------|------------|---------|
| Other information | £ | £ | £ |
| Segment assets | 400,900 | 4,200 | 405,100 |
| Segment liabilities | 400,900 | 4,200 | 405,100 |

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16. Events after the reporting period

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

17. Reconciliation of performance against budget to Statement of Comprehensive Net Expenditure

There is potential for differences between the financial performance of the Office of the Comptroller and

Auditor General reported in the Annex to the Financial Report and Accounts of the States of Jersey and that reported in these financial statements as a result of:

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

Performance against budget for the year ended 31 December 2019 can be reconciled as follows:

| | 2019 | 2018 |
|--|----------------|----------------|
| | £ | £ |
| Near cash expenditure for the Office of the Comptroller and Auditor General reported on page 162 of the Annual Report and Accounts of the States of Jersey for the year ended 31 December 2019 (page 169 of the Annual Report and Accounts of the States of Jersey for the year ended 31 December 2018) | 841,000 | 779,000 |
| Plus / (minus): Adjustment to opening restructuring provision reflected in the Comptroller and Auditor General's 2018 (2017) accounts | 5,000 | (9,300) |
| Plus/ (minus): In year decrease in restructuring provision to reflect improved information | 0 | (4,000) |
| Plus / (minus): Other adjustments | 1,800 | (900) |
| Plus / (minus): Adjustment for different unit of rounding | (400) | (400) |
| Total comprehensive net expenditure | 847,400 | 764,400 |

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18. Differences between original budget, final budget and actual

'Original budget 2019' represents the sum for the year ended 31 December 2019 included in the Medium Term Financial Plan as Amended, approved by the States Assembly on 1 December 2016.

'Revised budget 2019' shows an in-year budget adjustment for the year ended 31 December 2019 notified by the Treasurer of the States to the Comptroller and Auditor General on 1 March 2020.

'Final budget 2019' shows the final budget reported in the financial statements of the States of Jersey presented to the States Assembly by the Minister for Treasury and Resources (R.33/2020) and reflecting Ministerial Decision MD-TR-2020-0011 made by the Minister for Treasury and Resources on 14 February 2020.

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

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

The principal reasons for the variance of actual performance against revised budget were additional expenditure relating to:

- costs for the recruitment of the new C&AG in excess of budget (£8,200);
- following a competitive tendering process, an increase in the external audit of the accounts of the States of Jersey (£7,700); and
- an increased volume of project work (£13,200).

These additional costs were partially offset by savings in respect of other general costs (£16,700), including hotel accommodation and IT development. These savings enabled the C&AG to restrict the overspend against the in-year budget to £15,200.

Subsequently, the States increased the budget for the Office to match the expenditure reported in the States' financial statements. However, as a result of the reconciling items between financial performance reported in the accounts of the States of Jersey and that in these accounts detailed in Note 17 above there is an overspend of £6,700 reported in these financial statements.



JERSEY AUDIT OFFICE

Jersey Audit Office

De Carteret House, 7 Castle Street, St Helier, Jersey JE2 3BT

T +44 1534 716800

E enquiries@jerseyauditoffice.je

jerseyauditoffice.je