

STATES OF JERSEY



PUBLIC ACCOUNTS COMMITTEE: REPORT ON THE ACCOUNTS OF THE STATES FOR THE YEAR ENDED 31ST DECEMBER 2008 (P.A.C.1/2010) – RESPONSES OF DEPARTMENTS

**Presented to the States on 26th April 2010
by the Public Accounts Committee**

STATES GREFFE

**PUBLIC ACCOUNTS COMMITTEE: REPORT ON THE ACCOUNTS OF
THE STATES FOR THE YEAR ENDED 31ST DECEMBER 2008
(P.A.C.1/2010) – RESPONSES OF DEPARTMENTS**

Chairman's Foreword

The Public Accounts Committee is pleased with the response of the executive and the acceptance of most of our recommendations.

By their very nature, PAC reports are likely to be both robust and critical. This response is measured, factual and not overly defensive of the criticism we have aired. There is still much to be done, and the PAC shall be monitoring the implementation process with vigour.

There is no doubt that changes such as the introduction of repatriation legislation, and the reiteration of the independence of the Treasurer, and greater emphasis on benefit fraud prevention, will be of great benefit to the Island.

Concerns remain in respect of the control of Court and Case costs and whether funding will be prioritised in respect of the setting-up of an independent Police Authority.

I would like to thank my colleagues on the Committee and in particular our support officer, for a report that has resulted in actual beneficial change for the people of Jersey. Long may this continue.

Senator B.E. Shenton
Chairman, Public Accounts Committee

Chief Officers' Response: P.A.C. 1/2010

Executive response required by: 5th April 2010

Review title: Public Accounts Committee: Report on the accounts of the States for the year ended 31st December 2008

General Comment:

The report of the PAC is welcomed. It is pleasing to note in the Chairman's Foreword that there is an acknowledgement that there is much to praise within the States but that the report must necessarily focus on criticism. It is also heartening from my point of view, as will be seen from the departmental comments, that most were already aware of the bulk of the issues raised and remedial action was underway.

The following pages detail the responses from individual Chief Officers. It will be seen that the bulk of the recommendations made have been accepted in full, although we have attempted to be realistic about timescales for implementation given that change must be managed alongside "business as usual" within a context of diminishing resources to be able to deliver both within the forthcoming years.

I believe the Comprehensive Spending Review will be a key factor in addressing several of the Committee's concerns. As a final point, the impact of the current process of restructuring the Treasury and departmental finance teams should not be underestimated. This will be key to delivering improvements against many of the recommendations in this report. I hope that I and other Treasury officers will be able to continue to work productively with the Committee to improve standards of financial management across the States.

Interim Treasurer of the States

Chief Minister's Department

	Findings	Comments
1	<p>Lines of financial responsibility remain unclear across several Departments, leading to confusion and the spending of considerable sums of public funds which cannot be accounted for.</p>	<p>Accountability is clearly set out in the Public Finances Law. This law provides for the appointment of Accounting Officers with very specific responsibilities. The Law specifically states: "Although a function of an accounting officer may be carried out by another person the accounting officer remains personally accountable."</p> <p>The improvements in financial management currently being implemented will ensure that delegations and responsibilities within Departments are clearly documented and understood by all those involved. The following reminder was sent to Accounting Officers by the Chief Executive following a meeting with the PAC in July 2009:</p> <p><i>'Implementation of States Decisions:</i></p> <p><i>On Monday 12 July 2009, I attended a PAC hearing with the Chief Minister. They are reviewing the process of letting the contract for the Incinerator with specific attention to roles and responsibilities for provision of funding.</i></p> <p><i>The PAC were interested to know how Accounting Officers ensure that any States decision is properly and fully implemented in accordance with the agreed Proposition and the accompanying report.</i></p> <p><i>Following the discussion I undertook to inform all Accounting Officers of this concern, which is the purpose of this note.</i></p> <p><i>I do not intend to try and summarise the roles and responsibilities of Accounting Officers, they are set out within the Financial Directions in general and specific terms.</i></p> <p><i>There are issues that I do want to draw to your attention.</i></p> <p><i>When finalising the implementation of any States decisions you should ensure that you have met the requirements of the proposition in accordance with Financial Directions. The Public Accounts Committee asked whether Accounting Officers check and record that the conditions have been met. I could not guarantee that has occurred in every case to date. However I undertake to remind you to do so and I am doing so by means of this note.</i></p> <p><i>In relation to some propositions the accompanying report presented by your Minister will describe the actions to be action in implementing the proposition. You should ensure that these actions are implemented and where it is not possible to do so the alternative course adopted should be recorded together with the reasons. In the event that you are called before the PAC you should seek to b able to justify these variations.</i></p>

	<p><i>In most cases it is very clear which Accounting Officer is responsible for implementing decisions, delivering major projects etc. However from time to time there may be a lack of clarity. If you are in any doubt as to your responsibilities then you need to clarify matters with any other Accounting Officer who may have an involvement. I would ask that in such cases you inform the Treasurer and I. If there is any difficulty in resolving who is responsible and accountable for any specific issues please inform me and I will work with you to bring it to a resolution.'</i></p>
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	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1	<p>The independence of the Treasurer is paramount – as are clear reporting lines and allocations of responsibilities. Where failures of accounting controls occur, there must be responsibility taken from the centre to correct these problems. The significant and potentially costly lack of clarity within Home Affairs must be corrected as a matter of urgency.</p>		Accept	<p>The independence of the Treasurer is enshrined in the Public Finances (Jersey) Law 2005 and makes specific provision for his independence: <i>“The Treasurer may not be directed on how a function of the office of Treasurer is to be carried out.”</i></p> <p>A key element of the Treasury Restructuring Plan is an increased focus on financial standards and compliance with these standards and procedures across all States Departments.</p> <p>Under the new arrangements, compliance with financial controls and procedures will be overseen centrally by the Treasury. Departmental Finance Directors will be held accountable for taking action to ensure that controls and procedures are complied with.</p> <p>The accountability of individual Accounting Officers is clearly defined within the Public Finances Law.</p>	2010

Economic Development Department

	Findings	Comments
1	The procedures in relation to the provision of grants (which is in effect the handing-out of taxpayers' money) have been tightened and the PAC is heartened by this.	The Chief Executive is pleased to note the PAC's recognition of the improvements carried out by the Department.

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1	<p>The PAC is concerned that grants are still being provided to organisations that do not fulfil all requirements. The PAC recommends that EDD adopt a 'zero tolerance' approach given the nature of the funding – regardless of any short-term impact.</p> <p>The PAC is concerned about the cost-effectiveness of some of Jersey Finance's speculative activities, and questions whether these should be publicly funded.</p>		Accept	<p>The Chief Executive has noted the PAC's concern and has implemented a Zero Tolerance Policy with regard to all grants.</p> <p>The Department is constantly evaluating the value for money from its grant to JFL and ensures that industry funding is maximised by JFL.</p> <p>As mentioned previously, Jersey Finance Limited prepare a Business and Marketing Plan each year, and this is submitted to the Minister for Economic Development for approval.</p>	Immediate action

Home Affairs Department

	Findings	Comments
1	Jersey has no legislation regarding repatriation of prisoners, which is resulting in unnecessary expenditure of public funds on accommodating foreign nationals.	The drafting of a Repatriation of Offenders Law, enabling prisoners to serve their sentence in their home country where appropriate, is one of the Minister's priorities for 2010. There is Law Drafting time allocated in the 2010 Programme. The Department will be preparing drafting instructions as soon as possible.
2	The Accounting Officer within the Home Affairs Department is currently unable to undertake his role due to the Departmental Structure. The PAC is concerned that the current position is open to abuse and that there is a lack of clear accountability.	<p>This is incorrect. I advised the Chair of the PAC through my comments on the draft report that I am the Accounting Officer for the whole of the Home Affairs budget and that I had never suggested otherwise.</p> <p>I made the point that the events surrounding expenditure on the Historical Child Abuse Enquiry (HCAE) placed me in a vulnerable position. I had not felt so exposed up until that point. Prior to this, there had never been any impediment to properly fulfilling the accounting officer responsibilities other than any particular issues mentioned in my annual Statement of Internal Control. However, action is needed and the Department is reviewing whether the accounting officer responsibilities can be split within the current provisions of the Public Finances (Jersey) Law 2005.</p>

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1	Using the UK's Repatriation of Prisoners Act as a precedent, legislation should be brought into force and agreements made with other countries to allow prisoners to be returned to their home countries. This should not only provide significant savings for the taxpayer – but will also repatriate foreign nationals to their homeland where they can receive support from family and friends.		Accept	The drafting of a Repatriation of Offenders Law, enabling prisoners to serve their sentence in their home country where appropriate, is one of the Minister's priorities for 2010. There is Law Drafting time allocated in the 2010 Programme. The Department will be preparing drafting instructions as soon as possible.	

2	<p>The Accounting Officer role within Home Affairs needs to be strengthened and clarified as a matter of urgency. The PAC is very concerned that this issue is still outstanding, despite being raised as an urgent problem some time ago. It is simply not acceptable that there is still no defined accountability in respect of taxpayers' funds.</p>		<p>Accept first part</p>	<p>The accounting officer role within the Home Affairs Department is quite clear – the Chief Officer Home Affairs is the Accounting Officer. The issue that arose in relation to the Historic Child Abuse Enquiry is that the Chief Officer Home Affairs has no line management responsibility or operational control over the States of Jersey Police. This exposed weaknesses in the accounting officer arrangements.</p> <p>Although no formal solution has been agreed, as a result of discussions with the Acting Chief Officer of Police, there is now in place a Memorandum of Understanding (MOU) between the two Chief Officers in relation to the 'Management of Finance and Exceptional Areas of Expenditure'. The MOU is an interim measure which gives a shared understanding of how to discharge financial management responsibilities under the current accounting officer framework and the Department is working towards developing a system that will serve us better in ensuring compliance with the Public Finances (Jersey) Law 2005. This is related to the ongoing work to establish a Police Authority which is likely to result in changes to the existing accounting officer arrangements whereby there are 2 accounting officers in Home Affairs.</p>	
3	<p>The PAC recommends that a Police Authority, to which police expenditure will be accountable, is set up as a matter of urgency.</p>		<p>Accept</p>	<p>The establishment of a Police Authority is one of the Minister's priorities for 2010.</p> <p>The States approved P.23/2010 on 23rd March 2010 which re-affirms the States' desire to establish a Police Authority. The Minister has already set up a consultative group of 6 members to review proposals.</p>	

Conclusion

It will be apparent from the comments that action is in hand to address each of the findings and recommendations. I appreciate that it is entirely a matter for the Public Accounts Committee how it presents its reports. However, I need to comment through this response that I was surprised and disappointed that the opportunity was not taken to amend the report as a result of my observations on the factual inaccuracies contained in the draft which were detailed in my reply to the PAC dated 16th February 2010. Although my response, and others, was published in the report, it still meant that inaccurate information was put into the public domain.

Health and Social Services Department

	Findings	Comments
1	Expenditure on Health and Social Services is never in the ratio put forward in the Business Plan as technically they are 'one' Department with 'one' budget.	The H&SS SMT have traditionally retained a level of flexibility around resource allocation to ensure that changes in priority or service risk during any year can be managed by occasionally diverting resource from one service area to another.
2	The PAC found a lack of understanding amongst senior Health Management in respect of the true cost of Health provision. For example, patients were being retained in the hospital rather than being transferred to the private sector to save money – yet the cost of provision within the public sector was unknown.	<p>One of the core functions of the H&SS Finance Team is to provide appropriately summarised service area cost information to assist senior Managers make effective business decisions.</p> <p>Whilst the demands on the team are often in excess of the available skilled resource, the Director of Finance will prioritise these costing exercises to ensure the highest risk/high value business decisions receive an appropriate level of financial support.</p>

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1	Whilst the PAC acknowledges that there can be advantages in the flexibility of the Health and Social Services split, it has concerns that sufficient controls are not currently in place to avoid the potential abuse of this flexibility to the detriment of the public. Consideration should be given to providing parameters within the Public Finances Law to limit deviation from the Annual Business Plan agreed by the States Assembly.		Accept	<p>The H&SS SMT have always been alert to this risk and in recent years has comprehensively tried to ensure that all direct budgets allocated to Community and Social Services i.e. not Acute Hospital Service, remain assigned to those areas for service delivery in year.</p> <p>The H&SS management structure is highly likely to undergo significant change with the appointment of a new Chief Officer. It is expected that clearer divisions between Acute and Social Services will be created, further reducing the risks of direct resource being transferred from Social Services to the Acute Hospital Services.</p>	est. September 2010

2	<p>Health and Social Services must know the true cost of all services provided, in order that comparisons with the private sector costs can be made. Management should look to 'outsource' areas where savings can be made and must have adequate financial management information to enable reviews of this nature to be undertaken.</p>		Accept	<p>Whilst H&SS does not routinely cost the provision of all its services (e.g. as per NHS "Reference Costs"), all significant business decisions should be supported by an appropriate level of financial information and analysis.</p> <p>If a significant service is identified as having potential for outsourcing the H&SS finance team calculates the costs of providing the existing service (or an enhanced service) in the public sector to ensure an appropriate cost comparison is available at the point of decision making.</p>	Immediate
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Law Officers' Department

	Findings	Comments
1	<p>Court and Case costs are an unpredictable and volatile drain on taxpayers' money. Therefore, this expenditure cannot be budgeted for. However, these costs can present a significant financial risk for a small island community and their volatility makes prudent financial management difficult.</p>	<p>The Department agrees wholeheartedly with this observation. A further review of Court and Case Costs is to form part of the Comprehensive Spending Review and the Department will of course co-operate fully with that review. One suggestion that the Department will be making to that review is that the budget should be allocated to each department rather than being spread across the various departments that have a call on it. In that way, each department would be more accountable for its own expenditure and there would be greater transparency.</p>
2	<p>The Department finds it problematic to recruit and retain senior staff due to a lack of competitive salaries, particularly at a senior level where staff find substantial incentives to move to the private sector.</p>	<p>The Department competes directly with the private sector for most legal staff. The Department is unable to offer the salaries and other benefits that are available in the private sector but it seems unlikely that this position will be altered in the near future given the current pressures on States expenditure overall.</p>
3	<p>The recruitment of staff may also be problematic due to the potentially public nature of the role.</p>	<p>Recent high profile events and comments in the media and by politicians are unlikely to make this situation any easier.</p>
4	<p>Unlike in the private sector, the Law Officers' Department has no financial incentive to optimise staff time against projects. However, time management is vitally important for adequate cost control.</p>	<p>The Department does have a time recording system to monitor the work of staff and the time taken to complete projects but the Committee is correct in its finding that there is no financial incentive to optimise staff time. It could be argued however that it is more important to provide the right advice rather than quick but wrong advice, even if this takes some time.</p>

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1	Prosecution costs in the Magistrates Court should be recovered on an 'ability to pay' basis. A more holistic approach to court costs needs to be undertaken as matters such as legal aid provision need to be taken into account. The PAC recommends that the Judiciary undertakes an internal review of its funding requirements and looks towards the commerciality of all functions provided.		Accept	The Department would welcome such a review and would support any that the Judiciary undertakes.	Unknown
2	A significant proportion of remuneration is provided through the provision of a generous final salary pension scheme that may not be fully appreciated on a salary comparison basis. By aligning the remuneration package more closely with the private sector, the ability to recruit may improve.		Reject	As mentioned above, the Department competes with the private sector for most legal staff and the ability to offer higher salaries would ease recruitment and retention problems. It is understood by the Department that most private sector employers in the Island do provide a pension scheme for their employees although not on a final salary basis. However, salary levels and pension arrangements are not things that the Department can change unilaterally nor are higher salary levels likely to be acceptable in the present financial climate.	
3	The conflict between freedom of information and professional confidentiality needs to be addressed. Ultimately, the ability to undertake a task to the highest standard must take priority over freedom of information as it is in the best interests of the public.		Accept	The Department fully agrees with this comment. Any Freedom of Information Law is likely to present significant challenges to the Department. Some of its information will be legally privileged but some not, and it will be a significant additional burden deciding between them. It is also very likely that other departments will use the Department to advise on the release or otherwise of their own information. It is for this reason that the Department has pointed out on a number of occasions that if a Freedom of	

				Information Law is introduced, then additional staff will be required in the Department to cope with the anticipated additional workload.	
4	The Law Officers' Department should ensure that workload matches resources available and that work is prioritised appropriately. States Departments utilising the services of the Law Officers for low priority advice should be instructed to obtain a response from the private sector – albeit at a cost to themselves. The Department must operate a triage system and when necessary, advise that it may be in the interests of the client to seek advice elsewhere.		Reject	The Department does advise other departments to take advice from the private sector where it is appropriate to do so either because the Department does not have the necessary expertise in-house, or the resources such as in Children's matters to deal with the matter itself, or where there is a conflict such as when the Department is prosecuting another States organisation. It should be noted though that the cost of such advice is likely to be considerably greater than if the advice is provided by the Department, and its value for money might be questioned. More importantly, the Department does feel that as much advice should be provided from its own resources so that there is a consistent approach across the States. It would be unfortunate, for example, if private sector advice was provided to a States organisation which differed from that offered by the Law Officers answering a question from a States member.	

Conclusion

The Department generally agrees with the findings of the Committee, but much of what the Committee recommends is not within the ability of the Department to change.

Social Security Department

	Findings	Comments
1	There is still no States-wide anti-fraud policy.	<p>Discussions have been held between the principal Departments tackling fraud identifying opportunities for working closer together, for example through the sharing of data, and further progress will be made in 2010.</p> <p>In the meantime, the Department has invested resources in further researching a revised Fraud strategy and actions intended to prevent and identify potential fraud. The strategy will be fully implemented in 2010 and further manpower resources have been provided for in the 2010 Business Plan.</p>
2	The summary of income and expenditure appearing under Social Security (on page 119 of the 2008 accounts) is incomplete because material amounts of expenditure (including staff costs of approximately £3.3 million) are charged directly to the Social Security and Health Insurance funds.	<p>A fuller picture of the activities of the Social Security Department has for sometime been available in the Report accompanying the GAAP compliant Financial Statements of the Social Security, Social Security Reserve and Health Insurance Funds.</p> <p>However the particular requirement of the PAC finding has now been addressed and in the Social Security Departmental Pages of the 2009 States Report and Accounts. Staff costs are reflected gross in the under the Social Security Department with a charge made to the Social Security Fund and Health Insurance Fund.</p>

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1	The Committee believes that benefit fraud should be treated with more urgency as it is a problem that we are experiencing now (not in 2011). Benefit fraud is a significant drain on taxpayers' money and it should be prioritised more highly.			<p>Benefit fraud is regarded as an important matter by the Department and further improvements are being addressed as a priority by the Department. A revised strategy has been agreed which seeks to improve controls throughout the claims and investigation process and reduce fraud and customer error.</p> <p>The focus is to seek out and correct erroneous claims to reduce ongoing cost and deter, detect and prevent fraud.</p> <p>As a result of the success of investigations in 2009, further posts have been allocated to the fraud team</p>	<p>Ongoing</p> <p>Recruitment is expected to take</p>

			so that increased levels of investigative action can be undertaken. This will include: further analysis of claims to identify potential fraud; setting up a fraud hotline and raising public awareness of fraud; face to face interviews in the claimant's home to verify claim discrepancies; and, ultimately prosecution where intent has been proven (but not all cases are appropriate for this route).	place in April/May 2010
2	A summary of all overhead expenditure for the department and funds should be provided in future States Accounts analysed by the provider of those funds (i.e. States or the respective funds). This will allow users to form a view about the efficiency of the Department and its total operating costs. The problem of supplementation provisions needs to be addressed as a matter of urgency. The PAC was pleased that Proposition P.153/2009 was adopted on 18th November 2009. However the PAC considers that it is important that in addition to the question of funding, there is also consideration in respect of the relevant accounting practices. Not all governments fund Social Security in a manner as prudent as the States of Jersey and some of the concerns are in relation to the relatively short notice under which funding must be applied. If, for example the funding requirement is in arrears on a two year retrospective basis, financial planning can be undertaken without an element of 'nasty surprises.'	Accept	<u>Overhead Expenditure</u> The States of Jersey Departmental Accounts for 2009 includes an additional financial table that summarises the income and expenditure of the Social Security Departments and Funds (Social Security Fund, Social Security (Reserve) Fund and Health Insurance Fund. This provides information on total operating costs.	Actioned in 2009 States Report and Accounts
		Accept	<u>Supplementation</u> The Department has identified a method by which the cost of supplementation can be made certain for any particular year and an assessment of that proposal has been made by the Government Actuary and their Report issued in 2009. That method will be proposed (or an effective alternative) once decisions in respect of the future of supplementation are decided upon, further to the Fiscal Strategy Review.	

Treasury Department

	Findings	Comments
1	The Committee is concerned that central findings in 2008/2009 may be repeated due to structural deficiencies. The poor financial management of the Energy From Waste exchange rate strategy and issues of an emotional nature (such as pandemic flu funding and the historic abuse enquiry) will ultimately impact on the tax payer who will suffer higher taxes and/or reduced services as a result.	Implementation of the Treasury Restructuring Plan is now underway with the purpose of bringing about improvements in financial management both in the Treasury and across all States Departments.
2	It is very difficult, if not impossible, to satisfactorily examine the States Accounts, due to the complications inherent in comparing budget and actual arising from the switch towards impending GAAP Accounting.	Further improvements will be made in the 2009 report and accounts to enable comparison of the actual out-turn against budget. These improvements are based on International Public Sector Accounting Standard (IPSAS) 24, "Presentation of Budget Information in Financial Statements".
3	As the Treasurer observed, 'we still have a long way to go.' The issuance of Financial Directions which are not acted on demonstrates that a rather wayward and uncertain system currently operates. Controls and insistence on compliance by the centre are lacking.	A key element of the Treasury Restructuring Plan is an increased focus on financial standards and compliance with these standards and procedures across all States Departments.
4	The Treasurer of the States did not seem to fully understand his role and saw himself as something more akin to the States accountant.	The Treasury Restructuring Plan demonstrates the importance the Treasurer places on his role in respect of leading and improving financial management across the States.

5	For a small island jurisdiction it is important that all liabilities are professionally managed and contained. Whilst measures have been taken, it is questionable whether continuation of a final salary based scheme is either feasible or achievable.	The review of terms and conditions of employment proposed as part of the comprehensive spending review in 2010 will cover a wide range of current benefits including pension provision. Nonetheless, a small island jurisdiction such as Jersey still needs to be able to provide a level of service expected by the wider community. It is, therefore, vital that the Island remains competitive in terms of recruitment and retention for such groups as consultants, doctors, nurses, other health professionals, social workers, teachers, etc. The public sector pension schemes in Jersey are already less valuable than many of those still available to public sector employees in the UK.
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	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1	Whilst the PAC are pleased that the Minister for Treasury and Resources has acknowledged significant deficiencies in his Department, and support his endeavours in this area, we recommend that the whole structure of responsibility for financial management is reviewed on a holistic level with greater emphasis on financial control and accountability across the public sector. Open cheque book policies, regardless of circumstances, must be discouraged.		Accept	The implementation of the Treasury Restructuring Plan is now underway. The creation of a Director of Finance role to direct and oversee financial management across all States operations encompasses the recommended holistic view of financial management, procedures and control.	2010
2	The move to GAAP compliant accounting should be accelerated. In addition, trading entities such as the Airport should provide proper accounts in order that performance can be measured against other entities worldwide.		N/A	The move to GAAP accounting cannot be further accelerated – it has progressed in accordance with the planned timetable and is now in operation. States departments are now preparing their accounts on a GAAP basis. Trading Departments are also preparing GAAP-based accounts.	2010

3	The re-organisation of the Treasury structure should alleviate some of the areas of concern. However, there have to be controls to ensure that all Financial Directions are implemented in full by all relevant Departments. All Financial Officers should sign off each Financial Direction and give an undertaking that it will be implemented.		Accept	<p>A key element of the Treasury Restructuring Plan is an increased focus on financial standards and compliance with these standards and procedures across all States Departments.</p> <p>Under the new arrangements, compliance with financial controls will be overseen centrally by the Treasury. Departmental Finance Directors will be held accountable for taking action to ensure that controls are complied with.</p>	2010
4	The Treasurer of the States should act with more independence, as prescribed by law, and be more vocal in his quest to keep the States finances in balance. It is important that he is able to provide an independent voice free from undue influence from the Treasury Minister and other politicians.		Accept	The role of the Treasurer is enshrined in the Public Finances (Jersey) Law 2005 and makes specific provision for his independence: <i>“The Treasurer may not be directed on how a function of the office of Treasurer is to be carried out.”</i>	2010
5	The PAC requires that the past service liability be dealt with as a matter of urgency. The PAC shall be reviewing the provision of public sector pensions in 2010 and will report in more detail on this important issue. The current rules assume that any deficit relating to the service of past 1987 members is not necessarily a liability for the States – it is a liability for members in the first place. This is generally dealt with by amending promised benefits. The scheme is therefore closer to a Defined Contribution Scheme than many might expect. The prudent approach would be to stop accrual of benefits under the old arrangements and move		Reject	<p>The Past Service Liability was agreed with the scheme’s Committee of Management by the States in 2005. The States considered this matter further in 2009 (P.110/2009).</p> <p>The accounting treatment adopted in the States accounts is that agreed by the States auditors. Values disclosed are calculated independently by the States Actuary.</p> <p>The States auditors have already considered the accounting treatment for the States pension schemes under UK GAAP in some detail. The States auditors will review the accounting treatment for the pensions schemes again as part of their audit of the 2009 accounts.</p>	

<p>to a simple Defined Contribution basis. The financial engineering within the Accounts should cease and the PAC requests that the States Auditors look to treat pension liabilities and surpluses on a similar basis rather than allow a disparity in accounting practices that is not reflective of the true position.</p>				
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General Conclusion

As previously stated, the report of the PAC is welcomed. The Comprehensive Spending Review and the restructuring of the Finance functions will, I believe, address many of the issues raised by the Committee, including controlling and budgeting for Court and Case Costs and being aware of the true cost of services. I believe it is clear from the comments made above by departments and the acceptance of the bulk of the recommendations made, that the PAC and the Treasury are working towards a common aim of improving standards of financial management across the States.

Interim Treasurer of the States