

STATES OF JERSEY

Public Accounts Committee

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BATTLE OF FLOWERS ASSOCIATION - FINANCIAL GRANT FOR 2006

CONTENTS:

Pages:

Interviews with -

Mr. W.D. Ogley, Chief Executive, Chief Minister's Department 1-28

Mr. M. King, Chief Executive, Economic Development Department 29-54

Panel:

Deputy J.G. Reed of St. Ouen (Chairman)

Senator J.L. Perchard

Connétable T.J. du Feu of St. Peter

Deputy A. Breckon of St. Saviour

Mr. R. Bignell

Mr. T. Grimes

Mr. M. Magee

Mr. C. Evans

Mr. C. Swinson

Mrs K Tremellen-Frost (Scrutiny Manager)

Witnesses:

Mr. W.D. Ogley (Chief Executive, Chief Minister's Department)

Mr. M. King (Chief Officer, Economic Development)

Deputy J.G. Reed of St. Ouen:

I would like to give the Chairman's apologies. She is unable to be here, so I will be acting as Chairman for today. Welcome, Mr. Ogley.

Mr. W.D. Ogley:

Thank you.

The Deputy of St. Ouen:

Could we go around the table introducing the various members of the Public Accounts Committee? We have Tony Grimes, Roger Bignell, Senator Jim Perchard. We have our Comptroller and Auditor General, Chris Swinson; Deputy Alan Breckon; Kay - who will be taking our notes and minutes - supports the Public Accounts Committee; Constable Tom du Feu, Chris Evans and Martin Magee.

Mr. W.D. Ogley:

Good afternoon.

The Deputy of St. Ouen:

I would also like to introduce members of the public to our meeting, and we are going to sit until 2.30 p.m. A practical issue that I need to draw your attention to is that there is a statement in front of you which clearly spells out how this public hearing is held. I would ask that you just read that, thank you.

Mr. W.D. Ogley:

Yes, I understand that.

The Deputy of St. Ouen:

Perhaps I could just start by asking you to introduce yourself to all the panel members and briefly outline your role and responsibilities.

Mr. W.D. Ogley:

I am Bill Ogley. I have a long title, which is Chief Executive to the Council of Ministers and Head of the Paid Service. In that, I am responsible obviously for advising the Council of Ministers. I am the Chief Officer for the Chief Minister, and I am responsible for the management of the executive functions of the States.

The Deputy of St. Ouen:

Thank you. Could I ask Tony to ask the first question?

Mr. T. Grimes:

If we look at the background to this particular review, back in April 2005, we see there were concerns about the controls and weaknesses within the Association. Further, in August 2005, the Department expressed concerns over the current management. We then have the situation where the Minister seemed to contravene the Financial Directions. My concern is the governance within the States, which to some extent suppressed these issues coming through. How would the officer escalate this issue, knowing this background - weaknesses in the Association and the contravention of the Financial Direction? Where does the officer go to escalate these issues, and did it occur in this case?

Mr. W.D. Ogley:

I wonder if I might just say something before I answer the question because I think it is quite important.

The Deputy of St. Ouen:

Okay, as long as it is brief.

Mr. W.D. Ogley:

It is brief. I think I would want to make a general opening statement which would say that I and the Chief Officer of Economic Development accept that errors have been made, both in the recording of ministerial decisions - recording the advice given - and also in the following of Financial Direction 5.4 in relation to the grants. That is an important point to make to start. I think I should go on to make the point that these errors were made by an officer or officers within the Economic Development Department. That is an accepted, recognised position. I would obviously, therefore, be concerned about the role of the Chief Officer of Economic Development. I have - and I am sure you will want to ask me questions about it - satisfied myself that he took all of the appropriate steps and that across the States the appropriate steps have been taken to ensure officers are aware of both the process for making and recording decisions and complying with Financial Directions. So I do not hold him personally directly culpable in this respect but, as accounting officers - and I am an accounting officer in my department - we recognise that that is a personal responsibility and therefore accept responsibility for the errors of staff that work to us. I know that Mike King, as Chief Officer, does that. I think it is important to put that as an opening position because the point I would ask you to, hopefully, agree is that this hearing's job is not to pursue individual officers - because it is the job of management and the disciplinary process to deal with those issues, and it is being dealt with and will be dealt with appropriately. So I thought I would, just at the outset, make that point.

The Deputy of St. Ouen:

I would just like to add, you can rest assured that it is not our intention to apportion blame to specific individuals. Our concern - which I think has been raised by the first question - is more a general issue of why did this happen and when did you know and what are you going to do about it?

Mr. W.D. Ogley:

Exactly. So, now, in answering the question...you made a statement that said in the question the Minister contravened Financial Directions. The Minister did not contravene Financial Directions because Financial Directions apply to the officers and accounting officers whose job it is to comply with those under the Law. You have heard the Chief Minister's statement to the States about the role of the Minister, and I would not intend to get into that. That is a political matter. So I would say to you, in answer to the question, I do not believe the Minister did contravene Financial Directions. Officers did contravene those Financial Directions and, in terms of the question of escalation, an officer within a department should escalate it - if they have any concerns - to the chief officer, who is the accounting officer. If, similarly, the chief officer has any concerns they should escalate it to me. I think that answers the question.

Mr. T. Grimes:

Did that occur in this situation?

Mr. W.D. Ogley:

No, it did not, and you would have seen from the internal audit report a stated lack of awareness from an individual about the Financial Directions, which I believe is why it was not escalated. When did I know about it? I knew about it as soon as the Comptroller and Auditor General published his audit report with the critical findings, and that is why I asked for an internal audit to be undertaken to identify the detailed process and the detailed timing decisions and people involved.

The Deputy of St. Ouen:

Is it not the role of the Corporate Management Board to monitor the Financial Directions and corporate governance issue overall? If awareness of this situation only came about through an independent report, are you not concerned that other errors are being left or are allowed to continue?

Mr. W.D. Ogley:

The role of the Corporate Management Board is to ensure that we have proper management processes in place and proper compliance officers with the Financial Directions and the role of accounting officer. The Corporate Management Board cannot - it would be impossible in an organisation the size of the States - to review every single transaction that passes through the States at that level. It would be impossible for any chief officer to monitor every transaction which passes through the accounts of their department because that would be all they would be doing and that would be not appropriate. So, the role of the Corporate Management Board is to make sure that we have in place the right processes, the right briefing, the right advice for officers; that officers have participated in and understand that. I can take you through the processes and the timing of all that if it would help. But, at the end of the day, that is why we have also set up under the Corporate Management Board an Internal Audit Committee to oversee the work of internal audit - to take it to that corporate level - and why we believe that internal audit is an important tool to ensure that we do behave appropriately and that we do therefore review their reports directly rather than just letting them stand on the shelf.

Senator J.L. Perchard:

You mentioned the internal audit report, Bill, and we all have a copy of that. Could you tell us when this was produced? Was it in reaction to the Comptroller's report?

Mr. W.D. Ogley:

Yes, it was.

Senator J.L. Perchard:

So it is quite a modern document?

Mr. W.D. Ogley:

Yes.

Senator J.L. Perchard:

Could you tell me, are you happy with the content of it? Does it truly and accurately indicate what happened? Are you satisfied that it is accurate?

Mr. W.D. Ogley:

Yes I am. I cannot tell you that I have checked it because that would be inappropriate, but I believe the internal auditor who undertook this is a person who has the appropriate professional qualifications and experience to properly undertake a report like this, and therefore, yes, I am satisfied. I think there the issue that will need clarification in due course is the delegation of responsibilities to people to take decisions within that department, which does reflect the old delegated powers given under the Committee and does not reflect the delegation that the accounting officer holds and currently applies. But, apart from that, I am satisfied to the best of my knowledge that this is a proper and appropriate report of what transpired.

The Deputy of St. Ouen:

There is equally an internal audit report carried out in 2005. It was completed in April of that year - looking at tourism grants - and that internal audit flagged-up a number of issues relating to Jersey Tourism in particular and the methods of control. If you are putting so much emphasis on internal audit to ensure control of States' finances, why was this not acted upon in April 2005? Why are we faced with the situation as we found in 2006 highlighted in the Comptroller and Auditor General's Report?

Mr. W.D. Ogley:

First of all, I put my faith in internal audit in identifying, through the process of internal audit and reporting, strengths and weaknesses within the financial controls and the management controls within the States. That is the strength I put on them: not the covering of each transaction because again that would be inappropriate. I put equal strength - indeed, I put more weight to be quite honest - on the financial management processes, both within the States and across the States and within the departments which, as you know, is one of the reasons why under the Change Programme we have adopted a clear network approach for the Treasurer of the States as head of profession and why we have set up a Financial Advisory Board - which is the financial director for each of the services - to work together regularly, and why, under the accounting officer structure, that is the mechanism for ensuring that Financial Directions are known. It does not absolve the chief officer and accounting officer, but this is the process for ensuring that those things are known, understood and followed within departments, and I put equal weight on that. We did not have in 2005 an Internal Audit Committee, so we did not have the

opportunity of reviewing that internal audit report. I was not aware of it: I have not seen it. Nor, frankly, under the old system, should I have been. As to whether it was acted upon or not - or whether individuals should have been aware of the requirements - I think you are now getting into the issue of why I am saying that dealing with the individual who clearly did make an error needs to be done within the management and the disciplinary process. Whilst the internal audit report will capture what happened, there is clearly another process of investigation and then review to go on, to ask questions about why somebody behaved in the way they did and why certain actions were taken in the light of that internal audit report. I think it is important that now proceeds; and it will do.

Deputy A. Breckon of St. Saviour:

Can I ask you some questions on the internal audit report? Who is it for? Who is it to?

Mr. W.D. Ogley:

To me.

Deputy A. Breckon:

It is to you from ...?

Mr. W.D. Ogley:

From the Head of Internal Audit.

Deputy A. Breckon:

Can you explain to me - I am used to a Treasury audit but not an internal audit - the difference between a Treasury audit and an internal audit?

Mr. W.D. Ogley:

The internal audit function is part of the Treasury.

Deputy A. Breckon:

Is this the normal format for a report?

Mr. W.D. Ogley:

No because this is a specific report. Once I had seen the Comptroller and Auditor General's report - and indeed I asked the Comptroller and Auditor General whether there was more detail sitting behind his report, in terms of the process and being able to answer the questions of the internal audit report - the C and AG advised me that, no, because he had looked quite appropriately at the Battle of Flowers and its relationship, not at this specific transaction. I therefore asked Internal Audit to undertake a review of that. You might well call this more of a forensic internal audit report than a normal controls and process

internal audit report. Quite a normal - in my experience - function for an internal audit to carry out. If you are aware something has gone wrong which has a financial element, you look for somebody with the skills to tell you why it has gone wrong and what has happened; and Internal Audit are those people.

Deputy A. Breckon:

So that report has been prepared at your request?

Mr. W.D. Ogley:

It was prepared at my request. I requested the Treasurer of the States to ask the Internal Audit section to undertake this audit.

Deputy A. Breckon:

And you then presented that to the Council of Ministers?

Mr. W.D. Ogley:

I presented that to the Council of Ministers as part of the evidence that they could have in front of them in determining whether the complaint against the Minister... They are not the recipients of this as an internal audit report. I and the management are the recipients of this and are dealing with it.

Deputy A. Breckon:

Would you like to comment on whether this report will be made more widely available, this report that you are referring to that was done for you?

Mr. W.D. Ogley:

Personally, I would see no problem with making that report more widely available, providing I was depersonalise it because quite clearly the report identifies individuals. Perhaps not by name; by function, and it seems to me that should be dealt with through a disciplinary process rather than through a general publication process. So I think with the proviso that it was anonymised and that they have identified therefore what went wrong with the process, I can see no reason why that should not be.

Deputy A. Breckon:

Can I just ask one further point on that? You mentioned in an earlier statement about an Internal Audit Committee. Can you tell the Committee what an Internal Audit Committee is?

Mr. W.D. Ogley:

Yes, it is a committee of the Corporate Management Board whose job is to ensure that Internal Audit is functioning effectively, as far as we are aware, and looking at the right things. That the general reports that Internal Audit publish, in terms of the controls, are taken seriously, both within the management of

the departments and corporately, and that is our job. That is always appropriate as a means of corporate governance within any organisation. So you, as the P.A.C. (Public Accounts Committee), work with the Comptroller and Auditor General. I am not going to transgress on the relationship with the C.&A.G., but that relationship is set, and you have a relationship there, in terms of the external audit and the external scrutiny of accounting officers. This is an internal process to ensure the same standards of rigour and reaction are applied to the internal audit process.

Mr. R. Bignell:

Obviously the report makes some very important recommendations, including the roles of Ministers and accounting systems. What steps have you taken so far to implement these recommendations?

Mr. W.D. Ogley:

Very great steps. You will be aware that last Thursday the Council of Ministers agreed a guidance note that was presented to them to make quite clear the respective roles of Ministers and officers, and I believe that has been circulated to you. That introduces nothing new; it merely reflects what was in the rules on decision-making, rules about accounting officers and the law about accounting officers, but it makes it very clear very directly. Two weeks before that, I had circulated a draft to all chief officers and accounting officers and asked them to ensure that their senior officers were briefed and made aware of it. I will, now that it has been formally agreed, be taking more action with the Corporate Management Board and the chief officers to ensure that everyone is aware of this. So that is the first action that we have taken. The chief officers have all undertaken to ensure that people are aware and that the proper controls are in place - although, again, I could run you through the process running from November last year through to date. As far as I am aware, as it stands this is a single area that frankly reflects the culture that was the way the States operated in terms of the committee decision-making and officers. It does not reflect the way the rest of the States is effectively operating under the Accounting Officer Rules.

Deputy A. Breckon:

Does it also reflect that inadequate training was given? When the ministerial government was established a year ago officers were not given the training they should have had?

Mr. W.D. Ogley:

No, I do not believe it was, and I could run you through the training that was given to people, which is why I say this is now an internal process. As far as I am concerned, sufficient training was given to officers and sufficient briefing on background documents and advice and guidance was given to officers about how to make ministerial decisions, how the advice should be given and recorded. I am satisfied that there have been updates and reminders on that and that people have been briefed, and I am certainly satisfied that as far as the Financial Directions are concerned there has been a great deal of training, both

corporate and departmental, and a great deal of briefing taking place.

Deputy A. Breckon:

So should this not happen then?

Mr. W.D. Ogley:

It should not, but at the end of the day we have to recognise that everyone is human and in an organisation this size human error will inevitably happen from time to time. What we have to do is to have processes and controls - and that is the same for any organisation - to minimise that. If you would like to run through the briefing and training, I am more than happy to do it.

Senator J. Perchard:

The question that has just come out of that: you have made the point on more than one occasion that officers - particularly the accounting officers - were made fully aware of their obligations under the law. Do you think the same could be said of Ministers?

Mr. W.D. Ogley:

I do not think I am here to answer for Ministers, really.

Senator J.L. Perchard:

Are you aware of any sort of formal training that was given to Ministers so that they were fully aware of their obligations?

Mr. W.D. Ogley:

Yes.

Senator J.L. Perchard:

Okay. I will move on to where I was about to go, but I just thought I would get that one in. You mentioned the Internal Audit investigation. We have spoken of the Comptroller and Auditor General's investigation and report. Are you aware of any other investigations that have taken place, particularly investigations where the findings are not in the public domain?

Mr. W.D. Ogley:

No, but if you would like to give me a hint, perhaps I might.

Senator J.L. Perchard:

No. It was just an innocent question that requires a simple answer really. No. There are none? Okay. The Internal Audit report highlights the failure on behalf of Economic Development to comply with the

Financial Directions. You are advising, and we do not need too much prompting in this direction, that this is not a witch-hunt. Of course it is not a witch-hunt. We are just trying to ensure that proper financial directions are always understood and implemented. If you were on the Public Accounts Committee, would you be worried that the process may not... we have identified a problem here at Battle of Flowers. Would you have concern that other departments may have the problem within their financial accounting and how would you... what question would you ask of the chief officer to ensure that that is not happening? Is it? We have found one place here. The first name we looked under, we found an irregularity. Is this widespread throughout all departments?

Mr. W.D. Ogley:

I am not quite sure which question I am answering, but it seems to me that the function of P.A.C. must be to assure yourselves that we - myself, the chief officers, accounting officers and the management - have taken the appropriate steps to make sure that people are aware and that there are appropriate controls in place. I think I would encourage you to ask that question, and I would love to answer it. Perhaps we could start from there.

The Deputy of St. Ouen:

I think the question is, quite simply, are you satisfied that all other departments are meeting the criteria laid out in the Financial Directions?

Mr. W.D. Ogley:

The answer to that is yes, I am satisfied that. Nobody can sit here and, for an organisation of 6,000 people, tell you that there is not going to be any mistake at some point. That would be ridiculous of me to do so, and if I did so you would not believe me. So I am not going to give you a categorical answer that says yes, everything is absolutely 100 per cent right because today somebody might have a bad day, to be honest. Somebody might forget something. We are only human. Do I believe that we should have processes in place, i.e. double certification of invoices, separation of duties between orders and invoices, proper compliance with the terms of the grant instructions, in place to trap those things? Yes, I do, and I believe we do have those in place. What we have here is a failure of an individual to remember that things have changed. It is as simple as that, it seems to me.

Mr. M. Magee:

I guess, Bill, a lot of this has been an awareness campaign, after Battle of Flowers, which hopefully people have taken in. I guess a question I would have, which is a sort of practical one, is do Ministers have any influence in the careers of the guys they are dealing with in departments, i.e. could it be a bad career move to disagree with Ministers who perhaps want something done in a certain way, albeit there are rules and regulations that are in the background? I am just not sure how it is structured in Jersey.

Mr. W.D. Ogley:

I suspect it would be a worse career move to allow yourself to be influenced and to make this kind of mistake again, if that helps. Let us be clear. Who is responsible for appointing staff? Management are responsible. But for the level of chief officers, to ensure that there is no potential for impropriety or improper pressure, we have the Appointments Commission. That is why, for chief and senior officers, the Appointments Commission participates in that process to ensure that it is done properly and with rigour. That is very important. The annual performance review and appraisal for civil servants at this level is carried out by their senior managers and certified by the manager above, to ensure that it is properly carried out and that there is not undue pressure. The whole HR (Human Resources) process is to ensure that people are properly appointed on merit and that there is not preference or privilege given to individuals; or indeed holding back people who should otherwise proceed. Making mistakes: I do not believe anybody should be hung out to dry for a simple and an honest mistake. If you keep making them, that is a problem, and it reflects on the competency of an individual. If somebody makes a mistake because they have acted totally vicariously without any consideration of the implications, that is a significant problem for the individual. If somebody is not making a mistake but acts wilfully to contravene, that is a significant problem; and those kind of contraventions will be much more damaging for anybody's career in the future and continuing employment than allowing themselves to be improperly influenced, if any Minister were to do so. I am not aware that any Minister has or intends to do so. I think what you have for the Battle of Flowers was a lot of enthusiasm from a lot of people to ensure that the Battle proceeded. Maybe that is not a question you are asking me?

Mr. T. Grimes:

Yes, it is sort of related to that issue, Bill. You have made reference to human error, mistake and people having a bad day. What concerns me is of course that can happen, but where was the process of... well, let me put it to you as a question. What is your responsibility to ensure the culture which enables chief officers to have unfettered access to you in circumstances where they may be under the influence of a strong Minister who could push them down a route which leads to a breach of regulations? So, I think my question is what are you doing to ensure these people have unencumbered access to you to ensure that they discharge their responsibilities in accordance with the appropriate regulations, particularly where you could have a strong minister?

Mr. W.D. Ogley:

Well, all I can do is to assure you that chief officers and, indeed, senior officers do have that access.

Mr. T. Grimes:

It did not happen here, did it?

Mr. W.D. Ogley:

No, but I think you will inevitably, when you meet the Chief Officer, be asking him had this issue been escalated to him and had he been aware of it and was it a problem? Let us be clear about the responsibilities. I am the Chief Executive, Head of the Paid Service. Answering directly to me are chief officers who are accounting officers, and they are individually accountable under the law as accounting officers. Answering to them is their management structure, and it is that structure that should deal with these issues. What we have here, at the Battle of Flowers, I have no doubt, it seems to me, is an officer within the Economic Development Department - more than one officer - dealing with the Minister giving advice. Discussions were taking place of an informal nature that should have been much more formal; should have been formalised. Ultimately there was a belief that, through the enthusiasm of everybody to make sure the Battle of Flowers was a success, this amount of money was needed: their enthusiasm ran away with them.

Mr. T. Grimes:

The concern that we have - and I think is what you were alluding to before - is could this be endemic across the service? Could there be situations where chief officers are faced with similar difficulties, albeit different circumstances, but the issue does not come to the surface quick enough?

Mr. W.D. Ogley:

My answer to you is I do not believe that to be the case. In the discussions I have with chief officers, I get no hint of that. If there are contretemps, which at times there are both with an officer and within our structures, I am aware of those. We deal with them.

Mr. T. Grimes:

Thank you.

Mr. W.D. Ogley:

I do not believe you would see from the audit report that pressure was brought on the individuals. The audit report suggests that everybody seemed to think this was a good idea. Advice was given and taken. The grant was agreed. It was paid. Now had a ministerial decision been made before that grant was paid to change the conditions - and it would have taken advice which was given verbally to that effect to be written down, to be recorded, and the Minister then certifies a decision - that is a properly taken decision. It is reflective of both the advice and the desire. That did not happen. It all happened informally. At that point, when the payment would have been made, the Financial Direction would have come straight to the fore.

Mr. T. Grimes:

What would you expect your officers to do in circumstances where a ministerial decision was taken; the officer then was expected to implement that decision but was still aware that it would breach some of the

financial regulations? What would you expect them to do?

Mr. W.D. Ogley:

Very clearly that individual would brief their chief officer, or if that were a chief officer, they would brief me; and inevitably there would be a discussion with that Minister to again run over the advice and the guidance and to understand why the intention was to do that and why the desire was to do that. If the decision stands which would lead an officer to breach Financial Directions, that officer then makes formal advice to the Minister to say: "I am sorry. To take the action here would breach Financial Directions." At which point, it is very clear in the Accounting Office Instruction - the whole direction structure - the Minister is free to issue an instruction, and that instruction is given to the officer. It is passed to the Comptroller and Auditor General and to the Chairman of P.P.C. (Privileges and Procedures Committee) and the Treasury Minister. At that point, the officers have fulfilled their duties. It is out in the open. There is no suggestion that any issues like that are arising in this case.

Mr. T. Grimes:

No. We are looking at underlying principles.

Mr. W.D. Ogley:

I have to say what we have here is an error. I keep saying we have an error. It has reminded everybody of the need to be totally and utterly vigilant. It is useful that these things happen in any change. I am not minimising it. I think it is very important, and that is why I am talking about due internal process taking place about what has happened here. I am not minimising it, but I do not think there is a major problem. I do not believe this is endemic. I have been back with all of my chief officers and asked them to both check and to affirm to me that these processes are properly in place. We have the Financial Advice Board, which is the finance director for each department, who now work together and answer to the Treasury Minister, and they have been asked to assure themselves. We do not believe there is an endemic problem or that this is...

Senator J.L. Perchard:

What mechanisms are in place for the chief officer - the accounting officer - to feed down this responsibility into their department?

Mr. W.D. Ogley:

Shall I tell you what we have done? I am clearly dying to tell you, so let me tell you. Let me take you through it because I think you can see then what we have done and why I think it is important. I will go back to 28th October 2005, where the Treasurer took to the Corporate Management Board a full paper on the rules, duties of accounting officers and set out the Financial Directions that were to become. I was there. I know who the attendees are. I know that discussion was held and they had the briefing. On

2nd November, after that discussion, we were putting the Financial Directions together. Again, we involved people from departments to make sure they are realistic; they will work, but they are not a heavy bureaucracy that is just going to tie the whole place up in red tape. So there is a step before the Financial Directions to find they all were issued by the Treasury Minister. On 2nd November last year the Treasury, following that debate, sent an email to all the finance directors and other staff who would have involvement in processing payments and making decisions to inform them that training on the law was to be issued, and directions would be issued. On 12th and 14th December, there were training sessions, firstly for chief officers, on the introduction to the new law, the introduction to the accounting manual, the role of accounting officers, and interest in obtaining value for money for grants. There was a lot more on 12th December. On 14th December, there were training sessions for finance personnel who would be involved. Because there were so many of them they were broken into small groups and that entailed working through the Directions and answering questions. Then within each department that was followed up by the Finance Director and the Accounting Officer issuing instructions, briefing, advising and training their officers. We have examples of all of that and good practice. On 19th June of this year, there was a follow-up. We had a trainer from the U.K. and an accounting officer who is an experienced accounting officer in the U.K. system over to talk to all chief officers, and we spent a day working through that to understand and ensure. Throughout the organisation, there were communications by email on 20th December to all chief officers and finance directors. The Finance Advice Board then spent time in November looking at them. Whenever there is a new Financial Direction, that is issued by finance directors to a network of staff, advice and guidance is given, and then there are very specifics within the Economic Development Department. It has been a very extensive and very thorough programme, and the accounting officers, in accepting their role as accounting officers, had to sign and certify that they were satisfied with that role and to set out the extent of compliance in issue, identify any areas of potential non-compliance. For some of these Financial Directions - like the grants - you can be compliant with the Financial Direction whilst you are working with somebody to bring that organisation into full compliance, and that is ongoing work. So, I remain satisfied that we have taken the appropriate steps and that the organisation is as well prepared as it could be.

Senator J.L. Perchard:

I will maintain my question, though, Bill. Are you satisfied that the accounting officers are obviously well briefed now, have proper mechanisms in place to feed down their responsibility into the grassroots and certainly up at officer level in their departments?

Mr. W.D. Ogley:

My answer is yes.

Deputy A. Breckon:

Could I ask you a question, Bill, related to that, with reference to Financial Directions and whether you

could say that you believe that the general state of compliance for all of the 5 Financial Directions is in order?

Mr. W.D. Ogley:

The answer to that is yes, insofar as accounting officers have indicated in the letters of acceptance of their role that they are accepting that role and have identified areas of potential non-compliance to be resolved within the course of the year.

Deputy A. Breckon:

So is that a qualified yes or a qualified no?

Mr. W.D. Ogley:

That is a qualified yes, if you look at the acceptance of the role of accounting officers by accounting officers. Within the terms of that, the answer is yes.

Deputy A. Breckon:

But qualified?

Mr. W.D. Ogley:

It is qualified by the accounting officers in accepting their role.

Deputy A. Breckon:

And you are comfortable with that?

Mr. W.D. Ogley:

Yes, because to do otherwise would... it was not possible, moving from the old to the new system, for everything to be 100 per cent compliant on day one. So instead what we identified was the areas where we are not compliant and the programme in place to bring them into compliance. That is the move from the old system to the new.

The Deputy of St. Ouen:

You speak about moving from old to new, however, general compliance with Financial Directions and corporate governance - managing the States' finances - is not a new subject. I mean, prior to the new Financial Directions there were current directions that highlighted how expense finances should be managed, the role of officers and so on. Equally, in the past, Shadow Public Accounts Committees and Audit Commissions raised issues regarding corporate governance and the management of certain finances. Equally, the States of Jersey's own auditors have consistently, over the years, highlighted the fact that the States are not getting to grips with financial controls and audit issues over a period of many

years, and keep flagging it up as a high priority. We have moved into the new ministerial form of government and, yes, we have issued new financial directives. Yes, we have introduced greater accountability. However, we have still got - in my view - a problem that although we keep saying we are plugging-up issues related to financial controls, we seem unable to properly manage and have trust in our control of them. Bearing that in mind, and I know you are as concerned as anybody to address this issue, what efforts are you going to make to ensure that this issue of managing States' finances is addressed; that the next time we read an auditor's report they are going to say: "Well, this is not our priority any more. This is done." How are you going to address that attitude?

Mr. W.D. Ogley:

Well, as we are addressing it and as we have addressed it. The States had Codes of Directions, and it had a totally different structure of financial management and responsibility, totally devolved, as you remember, to individual committees. Finance directors worked for individual committees. I mean, we can run over the old situation. What we have done is to update all those Codes of Directions and issue mandatory Financial Directions which modernise all of that; introduce a standard to be followed. We are introducing training for everybody. We have introduced the structured process of finance directors working to the Treasurer as head of profession so that there is one standard, one professional process and approach. We have introduced the Internal Audit Committee, which you asked me about, just to make sure that internal auditing controls are taken seriously at the highest level of management within the States. We have given the finance directors support and responsibility to ensure that this takes place within the departments and, frankly, we have now chief officers - accounting officers - who are personally accountable for this. That places it very directly centre stage. It is not just me. The States are holding those people to account because the law holds them to account as accounting officers. They are legally responsible. So I, through the management process, am holding them to account, but the law also holds them to account. At the end of this year, every accounting officer will be required to issue a certification of compliance and identify... let me make sure that I get it absolutely right rather than get woolly about it. We have to supply a letter which says, in relation to the controls that we put in, the statements on internal control, the control framework within that accounting officer's department, how effective those are and how the accounting officer assures himself of herself of compliance and identifies any significant control issues. This is the first time that will have been done, and you will have had individuals held so directly and personally to account; and I can assure you it is being taken very seriously as a result of that. I think what you are seeing is a whole change in the seriousness with which this is taken and managed. It is a journey.

The Deputy of St. Ouen:

Are you basically saying that what has been put in place over the last 12 months you are satisfied with; that is, it is sufficiently robust enough to address the issues raised over the past... I am not dragging in the past, but over the financial controls of the States in the future?

Mr. W.D. Ogley:

Yes.

Senator J.L. Perchard:

Are you satisfied, Bill, that Financial Directions are appropriate in all circumstances? Can you envisage any circumstances where there would be a bit of a licence to move sideways?

Mr. W.D. Ogley:

There should not be.

Senator J.L. Perchard:

So, absolutely, categorically, there is no opportunity for ignoring Financial Directions under any circumstances?

Mr. W.D. Ogley:

There should be no opportunity. If a chief officer - an accounting officer - were to find that the Financial Direction was, for some reason, not appropriate, they should first of all sit down with their finance director, and then with the Treasurer, to discuss and identify the reason. But there is no justification for ignoring the Financial Direction and not dealing with it and not following it. These are new. They were all introduced at the start of the year. They are still extending it because we have taken this seriously. As I say, when the Treasurer puts together a Finance Direction, that will be done with consultation and discussion with officers from services who will be knowledgeable about the implications of this, so it should be appropriate. But it may well be that when you get a Finance Direction and follow it through to the nth degree in a department, you find an anomaly. You cannot ignore it. You should bring it out and discuss it and resolve it. That is the only acceptable way to deal with it, in my view, and I have got the Treasury person watching me.

Connétable T.J. du Feu of St. Peter:

I would be interested to know that since the schedule system has been in place have you had the opportunity to review all the States' departments fully, and have you personally identified any areas of concern? If you could inform us where those concerns might be and what is being done to address them.

Mr. W.D. Ogley:

The answer to your question: have I personally reviewed all of the States' departments, is no. That is not my job, in terms of the Financial Direction codes. That is why we have the Treasurer of the States whose job it is - through the finance directors of the services - to ensure that that financial management is being taken seriously and to review it and to work at that detailed level. So, no, I have not personally

done that, but I have overseen and am satisfied that the Treasurer is - through the whole finance structure - doing that, if that answers the question. So, I am satisfied with that. I am aware, and you will be aware through the letters of acceptance of accounting officers, that there are some areas of the States where the work to bring it into compliance was very significant. Particularly with external bodies, you cannot stop a service; you cannot stop a function, so you get on and work with it. Those have been identified through the process and continue to be: that work continues to take place. I think we are aware that, certainly, there is one Scrutiny Panel that has identified an anomaly of an activity in the States that needs to be brought within the accounting officer structure, and that is going to be Overseas Aid, for example.

The Connétable of St. Peter:

Perhaps with your overarching responsibility in the role that you carry, do you feel relatively comfortable and at ease with the performance of what is under your particular control and responsibility?

Mr. W.D. Ogley:

The answer to that is yes. I do because I have great confidence in the Treasurer of the States, great confidence in the staff that work within the finance function to take this seriously and to follow these things through, and I am aware of the actions that have been and are being taken. Through the chief officers I am equally aware - through the accounting officer relationship - of what they are doing. In that sense, I have that confidence.

The Connétable of St. Peter:

Thank you.

The Deputy of St. Ouen:

You speak about financial directives and the role that they play. Are you aware that the Treasurer himself has raised concerns that 2 financial directives are being challenged by a number of different initiatives? If you are not aware of those concerns, why not? Secondly, if you are, what are you doing to address those concerns?

Mr. W.D. Ogley:

The answer is first of all yes, I am aware of those concerns. I have been very closely concerned, particularly about the pressures that there are on the resources - particularly the finance professionals - where, as you will know, there has been significant turnover and changes. I know that both the Treasury, and indeed the finance functions within some services, have had to run at times with too few staff, certainly of the appropriate skills and qualification. What we have been doing through the departments, through HR, and through the Treasury, is to review that whole package remuneration and our ability to

recruit and attract people. What I see is that has had significant effects. What was too stretched and with too many vacancies, now the recruitment and the appointments are coming together. So, yes, and I think we have to reflect that at the end of the day it would be very easy to have a totally full establishment, but by God you would be paying an awful lot for it in a competing market. So, we have to be competitive. We have to have the right people, the right skills, and that is what we have been trying to do with every part of the States within the money we have available.

The Deputy of St. Ouen:

But equally if you are allowed on your financial directives to manage the States' finances, one could suggest that it is a worthwhile sum to be spending in ensuring that that financial control is there?

Mr. W.D. Ogley:

I have to be a little bit careful here, but at the end of the day your officers... because all officers work for you as States' Members, and they work for the States, and I think it is an important point to make. Your officers do a lot more than just manage money. They deliver services, they ensure professional standards across all services, and you can look at Health or Education; you can look across the piece. We rely on our officers, not just in finance, and I would not pick it out over and above others, and at the end of the day we live within a constrained budget, and everyone is concerned about that. What I am saying is I do not pick out that group, because once you start doing that I think it is equally valid to say the work of the States realised in IT (Information Technology), teachers, doctors, nurses, fire fighters, are all in the same position. We are trying to do the best job we can with the resources and the money we have got.

The Deputy of St. Ouen:

But we could ask you, perhaps, the same question regarding Internal Audit because we are well aware that efficiency savings - for want of a better term - have been required from the Treasury, and in fact reductions were made in the Internal Audit Department. Again, today you have told us - quite rightly I believe - that the internal audit is an important part in ensuring and monitoring compliance and management of the States' finances. Do you believe that currently the Internal Audit has sufficient resources to ensure and provide you with the comfort in knowing that the States' finances are being monitored in a proper manner?

Mr. W.D. Ogley:

Perhaps you ought to ask the Treasurer of the States that, but the reality is that Internal Audit depends not just on the numbers of people, it depends fundamentally on the skills and abilities that you have to call on, the availability of that and the knowledge and understanding. You will know that the Treasurer is looking at an alternative way of securing that level of expertise and professionalism to make sure that this job is done as effectively as possible.

Mr. C. Evans:

Bill, I just want to come back very quickly, and I apologise for this, to the point that was brought up by Martin Magee and subsequently further discussed with Tony Grimes. I think we all understand that the purpose of today is to satisfy the Committee that this anomaly - which is what I think is the best way that you have described it - has little chance of happening again. The only concern that I still have, from what you have told us today is that, if you have a Minister who forcefully or enthusiastically wants to pursue a particular course of action that an officer believes could possibly be a breach of a financial directive, from what you have told us today my understanding is that the procedure in those circumstances is that that officer should either try to educate the Minister on the spot or, if he or she finds that is - for whatever reason - not viable at the time, should escalate that to their chief officer or accounting officer in the department? The reason I am asking this question is that I can see a conflict where somebody is getting political direction that conflicts with their executive direction and that since the Council of Ministers is so new, and the power that a Minister has is considerably more than individuals in government used to have, your reliance on human nature to decide which is the best course of action may put individuals in a difficult position.

Mr. W.D. Ogley:

I come back to that is why this *Ministerial Decisions Guidelines* is not just a piece of paper. It is an important piece of paper that we will make happen, and it will make it quite clear. Because you are absolutely right; if the only power was that of the Minister - and everything just went preference, appointment, everything - then we would have exactly the recipe for the kind of problems which in other jurisdictions - and I do not say here - have led to... The Comptroller and Auditor General, through his days at the Audit Commission, will be aware of the kind of problems that kind of overly-concentrated power can create. That is why this is so important. This is about checks and balances. The Public Finances Law makes the accounting officer personally responsible. The accounting officer's responsibilities are not given to the Minister and then to the accounting officer. They are given under the Public Finances Law to the accounting officer, who is legally personally accountable. That is an important check and balance: a very important check and balance. So, when the States set, through their own business plan, the cash limit of the chief officer - or the accounting officer - he is responsible for that and that money is given. to that chief officer, and that is an important check and balance. That is what the Public Finances Law says. That individual is legally accountable for that - legally responsible for that - just as the Minister has a range of political decision-making responsibilities and these 2 things have to work together. I think this is really important. These guidelines make it clear, and if I can just briefly run through them. It is my job to make sure they happen; it is the chief officers' job to make sure they happen. I go back to these issues about Appointments Commission, impartiality, independence; which are so fundamental because without them you have problems. The first point: it is inappropriate for Ministers to take decisions without receiving advice from their officers and where matters are

particularly significant or controversial, that advice should - whenever possible - be reviewed by the chief officer. The chief officer is accounting officer, responsible for the advice the Minister gets on difficult decisions. Then we go on to making it clear that Ministers cannot make decisions at meetings without officers present, so there is an appropriate check and balance on the information and advice that is given. It says that the Minister might indicate his or her intent verbally or by other means, but a decision will only be made when the Ministerial Decision is signed, i.e. a piece of paper with the advice, and it is only a decision when it is signed. So you do not get side-line discussions and officers having meetings and saying "O.K. Minister, I will do it." The decision is there. The decision form will be fully completed, supported by appropriate information with a trail to relevant documents. An important point because Scrutiny needs to be able to check this so that Scrutiny can hold officers to account for the advice they give, just as much as they hold Ministers to account for the decisions they take. And that is in there specifically at the request of the Chairmen's Panel of Scrutiny. The officer providing the advice and/or completing the decision form is accountable for the advice given. He is personally accountable and will be held to account for it. That advice must be complete, balanced and reflect the officer's best professional advice. Ministers are free to take a different view and a contrary decision, but the Minister's reasoning must be recorded. Officers will be expected to implement Ministerial decisions regardless of the advice given. Okay, you can advise, but the Minister decides. But if the decision were to result in an illegal act, contravene financial directions or create a significant risk for the States or the Island, then the officer must refer the matter to the chief officer of the department; or if the officer is a chief officer, to me to resolve and deal with. And of course if it is going to contravene financial directions, then of course we are into the process which I described to you which is "No Minister, you must issue a direction to me to do that, and I will have it said in black and white." Finally - just to carry on - so, that is the point of it, if it contravenes financial directions you have to follow the accounting officer rules. Chief Officers are personally responsible for ensuring Ministers are appropriately supported; all officers are aware and trained of their responsibilities. Ministers are personally accountable - and the Council of Ministers are signed up to this - Ministers are personally accountable for ensuring they follow the rules and guidelines to ensure their actions are subject to sufficient governance and appropriate separation of advice and recording of decisions. Finally, Ministers will refrain from implementing their own decisions. There again there is an appropriate check and balance. Now, those may be words but they are really important words and are signed-up to by the Council of Ministers; they have been published to the States; I will be held to account for that; all chief officers will be held to account for that; and so it goes. I think that is really important because in a new system of ministerial government, corporate governance becomes something which is extremely important, as indeed does financial governance, but financial governance - to my mind - stems from corporate governance.

The Deputy of St. Ouen:

Can I ask just one last question?

Senator J.L. Perchard:

Yes, I am aware of the time, but I need just to get this one in. It is just changing tack slightly Bill. Are you satisfied that the Council of Ministers, as a group, embrace the disciplines and will ensure full compliance and are committed to it? I ask that because I note that in the statement in the States at this last Sitting the Chief Minister said that, whilst it was accepted that mistakes were made with regard to the Battle of Flowers funding, he excused his Economic Development Minister as he was acting with the best of intentions. My question is - I guess, there are 2 parts - are you happy that the Council of Ministers will have raised the support, the Financial Directions; and will you guarantee that the 'best of intentions' excuse will never apply to public offices or offices in the public sector?

Mr. W.D. Ogley:

I am not going to speak for the Council of Ministers, nor should I: it would be inappropriate. What I can tell you is that the debate for the Council of Ministers and the signing-up to those guidelines was significant, was intense and it was taken seriously and I believe they have taken that decision in the full knowledge of what they are saying. So that is all I can say in terms of the Council of Ministers. It is an excuse for an officer to do his best and make a mistake - or her best and make a mistake - if it is done without the knowledge of it being a mistake. I do not believe that excuse applies if the officer is aware of any contravention or crossing any rules; totally unacceptable but inevitably, as I say, in any organisation of 6,000 people, people do make mistakes; people do worse things and you cannot govern the whole of human nature. What you can do is put in place the checks and balances to try and ensure that those mistakes are caught if they are made, and so if you want me to guarantee, I cannot guarantee; but I can guarantee that I will never accept it as a reason for doing the thing that you know to be wrong and I do not believe any chief officer will accept that as a reason too. That guarantee is, I think, the best I can give you.

The Deputy of St. Ouen:

With that, gentlemen, I would like to personally thank you for attending our public hearing and answering our numerous questions and we look forward to an ongoing dialogue with this one. Thank you.

ADJOURNMENT

The Deputy of St. Ouen:

First of all, can I welcome you, Mr. King, to our public hearing and also thank and welcome members of the public and press. I apologise for making you move out and come back in but it was useful for the Committee to just consider what we heard and prepare ourselves for this particular hearing. Anyway, thank you for your indulgence. I am acting Chairman today, as sadly our Chairman is unwell. She sends her apologies and I would like to just briefly go round the room and introduce you to other members of

the Committee who are present. We have Tony Grimes; Roger Bignell; Senator Perchard; Comptroller and Auditor General, Chris Swinson; Deputy Breckon; Kay, who is our Scrutiny Manager and also supports the P.A.C.; Constable de Feu; Chris Evans and Martin Magee. I should draw your attention to a statement which I hope is in front of you which relates to the way we conduct a public hearing and certain protocols that you need to be aware of, and I would ask that if you have not seen it before please read it as that will be the way that the issues revolve regarding this hearing. Without any further ado, I would just ask you briefly to introduce yourself, outlining your role and responsibilities.

Mr. M. King:

I am Mike King. I am the Chief Executive of the Economic Development Department which has a very broad remit as you know, covering tourism, agriculture, all the other industries in the Island, Jersey Airport and Jersey Harbours.

The Deputy of St. Ouen:

Thank you. Now, I would like to ask Senator Perchard to maybe ask the first question.

Senator J.L. Perchard:

Good afternoon, Mike. In July of this year, you were Accounting Officer, as you still are, for the Economic Development Department. Were you aware then of the responsibilities you had under the Jersey Public Finances Law or have you subsequently become aware of your responsibilities, and whilst I am at it, were your officers in the department aware, in July of this year, of their responsibilities under the Jersey Public Finances Law?

Mr. M. King:

The answer to both questions is yes. I was fully aware. In fact, I think I signed a document saying that I was and I was willing to accept those responsibilities in the early part of the year. The officers in the department were shown the relevant documentation - the Financial Codes of Direction - were asked to confirm that they had read them at the beginning of the year, again in early April, and it will not surprise you that again we have asked them to do so subsequently. So all officers were fully aware of the obligations they had under the Law.

Senator J.L. Perchard:

That is in July of this year?

Mr. M. King:

In July of this year, yes.

The Deputy of St. Ouen:

Maybe I could then ask; was the Economic Development Department aware of the failures of the Battle of Flowers Association during the proper corporate and financial governance arrangements as required by the department's Service Level Agreement with the Association?

Mr. M. King:

We were indeed aware. I think there had been an audit held before my arrival which had indicated that there were issues, particularly with the Battle of Flowers Association, and other major events as well and I think it is fair to say that officers in the department, when the issue of additional funding for the Battle of Flowers Association was brought, made it verbally clear to the Minister that they... I believe that there was significant risk associated with the Battle of Flowers Association being able to deliver objectives associated with those additional funds because of the issues within the organisation itself.

Senator J.L. Perchard:

This is an internal audit of the Economic Development Department.

Mr. M. King:

The Economic Development Department, there was an internal...

Senator J.L. Perchard:

And it was completed in April 2005.

Mr. M. King:

April 2005 into the overall grant awarding process.

Senator J.L. Perchard:

And that audit, Mike, just to remind the Committee, quite clearly said that they had serious concerns about granting the Battle of Flowers Association further funds until they got their Financial Direction of Procedures...

Mr. M. King:

What the audit said was that there were significant issues, particularly with more major events, in terms of the overall process and the governance and, as I said, that was something that was recognised within the department by the Director of Tourism and others.

Senator J.L. Perchard:

Did it conclude that no grants should be made payable until the Battle of Flowers had restructured?

Mr. M. King:

My belief is that report did not conclude that no grants should be given but it did conclude that there were significant issues related to the awarding of grants to the events.

The Deputy of St. Ouen:

Would you just confirm, as I think you said earlier, the Minister was made aware of that.

Mr. M. King:

The Minister was made verbally aware where obviously an error was made and that concern was not recorded formally and that formal record presented to the Minister.

Mr. T. Grimes:

Following on from the audit report in 2005 where it evidenced weakness in control, it said grants should only be approved if all required documentation was in place to the acceptable quality in the required time. In August, your department expressed concern over the current management of the Association, making reference to taking money out but not liking to be dictated to on how it was spent. The Director of Tourism in Economic Development was also quoted as saying - questioning the capability of management and saying - that the granting of public funds was not necessarily the best way forward. Given that and also the fact that it was clearly a contravention of the Financial Direction, how do you get to the stage that £95,000 of public money was advanced to this Association? Given the background, given the concerns, what in your opinion led to the conclusion of that grant?

Mr. M. King:

I think what led to the conclusion of the awarding of the grant was that in discussions between officers in the department and the Association, the shortfalls that had been seen in terms of the performance of the Association in the past were highlighted and indeed, the Association did sign an S.L.A. (Service Level Agreement), which we believed on the basis of the outputs that had been defined by the department at that time, if delivered, would address some of the issues that obviously had arisen previously. So, on that basis, the department felt able to award the grant of £95,000.

Mr. T. Grimes:

This decision was documented, was it, in the department?

Mr. M. King:

Yes, the decision to award the grant of £95,000 - the initial grant of £95,000 - was part of the business planning and budgeting process for the 2006 budget and the £95,000 award was part of the general support to events in the Island that were covered in that business planning and budgeting process. So it was documented as part of that process because it was effectively seen as a recurring grant that the Economic Development Committee, and subsequently the Economic Development Department, made to

the Battle of Flowers.

Mr. T. Grimes:

In hindsight, what lessons do you think we should have learned from this episode?

Mr. M. King:

I think that the lessons we should have learned are very, very clear and I think you need to look just a little bit behind the nature of the cultural change that we are expecting. I have no doubt in my own mind that the Battle of Flowers Association - and indeed other grant-aided bodies - had developed perhaps what one might describe as a grant culture and a dependency culture. My personal belief, having come from an environment where that is not the case, is that they should be considering that as an investment on which the States, as the majority funder, wish to see a return and the lessons that I think that we have learned from that is to make sure that the Economic Development Department very clearly states what outputs and outcomes it is expecting as a sponsor of major events. Now there is an issue because I think that perhaps there has been a culture in the past, that I think you have pointed out, but there is perhaps a reluctance to accept that there was conditionality associated with the grant. The position that we are now going to adopt with all grants - and this has been very clearly stated to all grant funded bodies - is that there will be conditionality and if we are not satisfied that conditionality is going to be met the grant will not be awarded. That is a very, very stark statement. It has been put in writing to all grant-funded bodies. They have been copied on the Codes of Financial Direction; all officers in the department have been made fully aware that is the case and no grant will be sanctioned. I think again, this may be at conflict with perhaps quite understandable political desire to support major events or bodies that provide events because it is a fundamental component of that which is Jersey, particularly in the summer, but we must be absolutely adherent to the rules that exist and that is where the fundamental weakness within the department existed and I have taken very, very clear steps in writing - both within the department and to the grant-funded bodies - to ensure that is very, very clear to all concerned.

Mr. T. Grimes:

Can I just ask one more question? In the event that you award the grant and they do not fulfil the conditions how do you get your money back?

Mr. M. King:

Well, what we have and what we will be putting ...and again clearly restating this, is a claw-back provision in the grant, and that is if the outputs and outcomes - which have to be agreed between the grant-funded body and the department - are not achieved either the money will not be paid because it is not paid ahead of need and we need to be very careful that is rigorously applied as well, or if it has been paid and subsequently proves that the outputs and outcomes are not being delivered, then it should be clawed-back and I think that is a very, very significant incentive to make sure that indeed does happen.

Mr. M. Magee:

Okay, Mike, just in terms of there was £95,000 that was in the budget to be sent out and then what we are really talking about is the more controversial second tranches of £50,000 and £45,000. I guess it is the second tranche I am more interested in because we do hear from departments about they are cash-strapped and budget-constrained and everybody is cutting-back and they have no excess capacity for further savings, but we seem to have found another £95,000 to issue as if there are pots around that are not really badged with a particular place to go? So is it a case of you are stuck with it: there are no pot of things there you could just take out of the equation, because that is the implication to me, and if you look at it on a global scale the £20 million of savings could perhaps be a lot more because there are pots all round the States of Jersey.

Mr. M. King:

Let me deal with the second £50,000 because I think that is what you are perhaps addressing. The second £50,000 was part of an agreed - or was paid for from an agreed - carryover of funds from within Economic Development Department from the 2005 end of year under-spend. There were about 10 items - I have the details here - that were agreed as part of the carryover and one of those items - which was agreed from within my department, was agreed by the Corporate Management Board and subsequently by the Council of Ministers - was the £50,000 for additional support for the Battle of Flowers which was sponsored by Senator Ozouf, obviously. It was listed again in the last quarterly financial report that we have received, reiterated that, was listed as a 'quick win that was associated with the allocation of that carryover. The department routinely carries over an element of its funding from one year to the next simply because expenditure within a year is not as predictable as perhaps... well it is not wholly predictable, so there is a carryover element. So, that carryover manifested itself as additional budget in 2006 that was available to the department and that additional budget was then reallocated and part of that reallocation was the £50,000 to the Battle of Flowers to enhance the event.

Mr. M. Magee:

Albeit that you anticipated £95,000 was going to the Battle of Flowers which has now moved up to £145,000, just because you have rebadged something?

Mr. M. King:

It is not because we have rebadged it. As David de Carteret's letter of 24 February - I believe it was - to the Battle of Flowers Association said, the possibility, as had been indicated by the Minister to the Battle of Flowers Association, was that additional funds could be made available. Mr. de Carteret's letter - and another, the Comptroller and Auditor General, has a view on how precise this was - made it very clear, in my view, that money would not be available simply to increase the funding to reproduce exactly what the Battle of Flowers had previously delivered but, indeed, would be associated with clear conditionality

and gave some general direction as to where that conditionality should be. The weakness and where the errors that occurred was that we did go on and subsequently, clearly define in an unambiguous way to the Battle of Flowers Association, what the conditionality associated with that £50,000 was.

Mr. M. Magee:

Okay, and then the £45,000 was on top of that.

Mr. M. King:

The £45,000 was on top of that. Again, the Minister had suggested to the Battle of Flowers that an additional sum of £45,000 could be made available on the basis that if they went out and achieved commercial sponsorship the States Department would match that on a 'pound for pound' basis which I think was done to provide an incentive for the Association to do perhaps what they had not done before, which was to go out and capture commercial sponsorship to increase the financial viability of the event.

Mr. M. Magee:

I think, just to come back to my original point, I still think that in principle there is £95,000 that was not... in principle, there is no need to spend it: in principle.

Mr. M. King:

No, there is not. I mean, I think the point that we have to come back to here is the process that we have undertaken and, indeed, it is a process that was in its early stages when all of this was happening and that is that in any one year - and I have copies of it here should you wish to see it - the Economic Development Department has a massive agenda of activity which it budgets for. It budgets for it down to the last penny, it prioritises it. For instance, this year we have about a £16 million budget. We had bids for £18.8 million that have been prioritised; it has been captured in a much more detailed business plan than that which you see. There is no doubt that some of that expenditure - some of that activity - does not occur in that year because of slippage or events beyond our control. We are then in a process to reallocate those funds based on the fact that we are delivering upon strategic plan objectives, economic growth plan objectives and business plan objectives to satisfy the outputs that we, as a department, are asked to deliver. So this is theoretically money that could be spent but it is not spent in a way that we believe is inconsistent with anything that we are trying to achieve and stays within our overall cash limit. So it is not a recipe for overspend, it is a recipe for prudent spend within our cash limit.

Senator J.L. Perchard:

Getting back to probably the core issue, Mike, were you and your officers in agreement with the ministerial decision to award the 2 sums of money - £50,000 and £45,000 and obviously they are 2 separate transactions - to the Battle of Flowers Association despite having reservations as recorded in the internal audits just 9 or 10 months ago; reservations as to whether these monies should be made

available to the Association whilst its financial management was in such disarray?

Mr. M. King:

Well, I think the answer to your question is that we highlighted to the Minister verbally that we had significant concerns associated with awarding the Battle of Flowers Association further funds. I think it also fair to say that following the advent of ministerial government, the Minister came in and was sent a policy which was somewhat contrary to the previous Economic Development Committee which had perhaps de-emphasised the level of grant funding to major events and was determined to make the Battle of Flowers as the premier event: something that could differentiate Jersey and act as something which was much more attractive to the visitor. The officers in the department expressed very clear concerns that perhaps by giving the Battle of Flowers Association additional money we would not necessarily achieve that objective. As I said previously, the process broke down within the department in that we did not document that in a way that was clear and consistent and, indeed, it could be said that if we had taken that to its logical conclusion and recorded that our advice was not to do that the Minister should have then issued us with a letter of instruction thereby absolving us of the financial responsibility. We did not do that. That is a clear breakdown in process. It has been addressed and it will not happen again.

Deputy A. Breckon:

Could you comment, Mike, on the use of the Tourism Development Fund in a retrospective ministerial decision and how you view that?

Mr. M. King:

I think what is fair to say is in the margins of a Tourism Development Fund meeting towards the middle of the year - I think it was the July meeting - the Minister made the point to the T.D.F. (Tourism Development Fund) Advisory Panel that it may be necessary to use some of the T.D.F. monies which of course the T.D.F. Advisory Panel... which I think you are aware is an advisory body to the Minister which makes recommendations and it is the Minister that makes the decisions whether the T.D.F. monies are expended or not. He advised the Advisory Panel that it may be necessary for him to use his power of ministerial direction to effectively use T.D.F. monies to provide grants to the Battle of Flowers Association. It is unlikely that subsequently that will need to happen because of cash management within the department's budget.

Deputy A. Breckon:

But retrospectively, if you have an advisory panel and you are telling them something, is that good government?

Mr. M. King:

I think the Advisory Panel is there to advise the Minister. The Minister, in the particular instance of the T.D.F. Advisory Panel, has the right to veto the Panel's decision should that be a negative decision which he decides to award or a positive decision which he decides not to award. It is highly unusual in the case of the T.D.F. Advisory Panel for the Minister to overturn the decision that it has made because the advice that it gives is taken very seriously and, I have to say, it is extremely high quality and the make up of the Advisory Panel was selected to make sure that that is the case.

Deputy A. Breckon:

In this case the Tourism Development Fund, in June I think it was, did not make a decision, did they, so there was nothing for the Minister to accept or reject?

Mr. M. King:

No, that is absolutely right and, as I said, the Minister advised the Advisory Panel on the margins at the meeting that it may be necessary to use T.D.F. funds, so no Panel decision was made on that. Indeed, in the previous month I believe, the T.D.F. Advisory Panel had decided to reject a bid of £30,000 which was not directly related to the event but was related to the replacement of the roof in Meadowbank.

Deputy A. Breckon:

And the retrospective ministerial decision, would you like to comment on that?

Mr. M. King:

The retrospective ministerial decision: that is not good practice, that is not good governance. I am not happy that that happened but it was done to complete an audit trail. Obviously the retrospective nature of it is the fundamental weakness and all T.D.F. awards, be they approved by the Panel or at the direct will of the Minister, should be covered by a ministerial decision at the time the decision is made because effectively the decision to grant funds from the T.D.F. - should they have been required because it was not recorded as a ministerial decision - was effectively not made and that is what the Comptroller and Auditor General has broken it down into.

Deputy A. Breckon:

Just following from that could I ask you, because of that do you, as an officer, feel exposed?

Mr. M. King:

I do not feel unexposed; I think that is probably the best way of putting it. Yes, we do feel exposed and I think there was a clear breakdown in process there and I think officers were keen to follow fairly clear but perfectly understandable and perfectly justified ministerial intent, and in doing so perhaps did not adhere to the process to the extent that they should have. I think it is again fair to say that there has been a need to reinforce the absolute primacy of the process of decision-making within the department.

Mr. R. Bignell:

I think you have partially answered it but for my own clarification, obviously you said that you were getting away with too many hats. At what stage did you become aware that things were not quite right with the Battle of Flowers grants and what action did you take when you became aware of it?

Mr. M. King:

I think that we were made aware, or I was made aware, in the really quite late stages. I mean, I was aware of the initial concerns; one should make no bones about that. I was aware of the initial concerns, however I did believe that the discussions that we had and the fact indeed that we had co-opted somebody on to the board of the Battle of Flowers Association which in my mind - and I know perhaps it is something that people question - but in my mind was done to ensure that to the maximum possible extent we did not get a repeat of what we had in the past. I was of the belief that was something that was working and I had no evidence to suggest that it was not, albeit the fact that those risks have been identified subsequently. Indeed, as somebody who attended the event, I would have to say that at the time I thought there had been significant improvements in the event and that money had resulted in some of those improvements being realised. It is obviously very clear that there were issues within the Association that have come out subsequently in the Comptroller and Auditor General's report that I do not think anybody in the department was fully aware of.

Mr. R. Bignell:

Did the person seconded to the committee have a clear term of reference given to them?

Mr. M. King:

A sub-committee of the Battle of Flowers Association on to which Mrs. Le Marrec was seconded was put in place to ensure the additional elements of the Battle that were associated with the additional money were delivered. For instance, the carnival atmosphere within the parade ring, the new entrances; so I think there were terms of reference associated with that. Were they recorded properly; were they written down; was there a direct link between the additional monies? The answer is no and that was an error because there should have been.

Mr. T. Grimes:

Mike, at what point did you personally become aware that the department had not complied with the Codes of Financial Direction to the Committee with this?

Mr. M. King:

As regards the Codes of Direction being complied with absolutely, I was probably aware when it came to the point of addressing the grant of the T.D.F. - the final £50,000. As I said to the Comptroller and

Auditor General, my belief was that it was wholly within process and I believe I have the delegated authority to do so; the initial £95,000 and the subsequent £50,000 were granted in a way that is consistent with process and consistent with the ways of financial direction. Now there is a view as to whether or not - and this is an error that we have - as to whether or not the definition of the outputs that we expected for those first 2 sums were sufficient but my belief at the time was that they were sufficient. They were covered by an S.L.A.; they were covered by a contract and we had put somebody into the Battle of Flowers Association to ensure that was the case. I was aware that the granting of the T.D.F. money and particularly, subsequently, the lifting of the conditionality was potentially not consistent with the Codes of Financial Direction. Again, what did not happen at that point, which should have happened, was that either the Minister should have been advised that that was not the case; or indeed, additional conditions should have been agreed that were associated with that third amount.

Mr. T. Grimes:

How did you become aware that there had been this contravention? How did it come up for your own personal view?

Mr. M. King:

I was not advised at any point by officers within the department that there had been any breach in the Code of Financial Directions and, of course, that is something that should have happened. So I became aware when the whole process was reviewed within the department, rather after the fact.

Mr. T. Grimes:

So even though those officers signed-off their understanding of their responsibilities early in the year, they failed to respond to the deficiencies in this process?

Mr. M. King:

They did not respond in the way we would expect them to respond, yes, that is absolutely true and as a consequence of that I have instigated disciplinary action within the department because there was a clear accountability there that was not met, and I need to ensure that is not repeated.

Deputy A. Breckon:

Can I ask you, Mike, in the circumstances, if we could be clear in our own minds, did you give the Minister any advice on this issue? In fact, if you were aware of it and especially in reference to granting more money and if you did do that, was there any response?

Mr. M. King:

If we are talking about the second tranche of £50,000, obviously the advice that we gave the Minister was that from the agreed carryover it was legitimate given that it was a clear ministerial desire to

improve the quality of the event; and that associating that £50,000 again with additional spend - and I come back to the point that that was not recorded to the extent that it should have been - was a valid thing to do. Again, the advice we gave on the third tranche of £45,000 was that if it was linked to match funding of corporate sponsorship, we were getting something material in terms of conditionality from that money. I think the advice was that was again the right thing to do. What did not happen subsequently is that - particularly on that third tranche of money - when that conditionality was lifted what we did not do then is record our advice and that was in contravention of the Codes of Direction.

Deputy A. Breckon:

Do you agree it was desire and not a decision, and the process was not followed?

Mr. M. King:

I would say that is exactly right. It was a desire, it was a decision and the process, as defined in the Codes of Financial Direction, was not followed.

The Deputy of St. Ouen:

I would like to bring you back to something that you spoke about earlier and that was to do with compliance and management of finances and so on. You mentioned that you had confidence in the fact there was a very settled agreement; you spoke about introducing conditionality and claw-back and so on. All these words are very great but the reality is that unless you are supporting those words with some form of monitoring action, the possibility is that this issue is going to arise again - and not just with the Battle of Flowers but in other areas.

Mr. M. King:

Yes, sure and I can absolutely assure you that pre-event evaluation and post-event evaluation will be undertaken rigorously and that the S.L.A.s or, indeed, the contracts that we have with all grant-funded bodies and not just the major events, will be looked at in a new light. There will be a lot more rigour associated with it but I think sometimes, again, we are dealing with bodies that are not used to having that level of rigour applied to them and certainly not that level of conditionality, and they do find it quite difficult to deal with. At one of the other events - I have an email in here and I am quite happy to read it to you - the International Air Display, one of the elements of the post-event evaluation of the grants... one of the elements of the grant offer is that a full post-event evaluation should be made available as soon as possible after the event is completed. For the International Air Display this year we received that post-event evaluation 2 days before the 2006 event despite 4 letters, 4 emails and about 8 phone calls. So it is a difficult process to work with but what we have done, Deputy, is that we have sent letters to each of our grant-funded bodies - copies I can make available to you - which very, very clearly state the basis on which grants will be awarded in future, which very clearly state how specific the conditionality will be - and that includes bodies such as the J.C.R.A. (Jersey Competition Regulatory

Authority), for instance, some of our other grant-funded bodies, not event bodies - and we will not award grants if that conditionality is not met. You may think those are words but I can assure you within the department they are absolutely not, and all bodies have received a letter to that effect.

The Deputy of St. Ouen:

I am pleased to hear that but it could be suggested - and obviously it is for you as the department to determine how best to ensure that these agreements and procedures are met - that practical help rather than cash might be a way of achieving that aspect.

Mr. M. King:

I would not disagree with you. Unfortunately, as I said at the outset, the Economic Development Department is rather a broad church. If we were to offer practical help to everybody, I think we would be rather stretched being as we are at our limit of F.T.E.s (Full-Time Equivalents) and I have no intention of increasing that number.

Senator J.L. Perchard:

The Chairman makes a valid point, Mike. Are you saying that come hell or high water, no grant will be made available to the Air Display in 2007 or the Battle of Flowers in 2007 unless they have engaged in proper corporate governance procedures? You would be prepared, if necessary, to pull the plug on those events.

Mr. M. King:

Yes, it would. The Finance Law... perhaps we have to treat this as an experience that we certainly do not wish to repeat but it is something that the department has learned from and I think it is something that those who organise and undertake the events will have to learn from as well. We will not repeat the experience of the Battle of Flowers Association to the point that the recommendations, for instance, that have been made in the Comptroller and Auditor General's report - which we fully support - mean there would have to be overwhelming reasons for the Battle of Flowers Association not to comply with those for the grants to be made available, because we see a much more efficient way of perhaps dealing with the event that is the Battle of Flowers would be to have it professionally delivered. That is not to say that there is not a very, very big reservoir of capability and ability around what happens in the Parishes with the delivery of the floats, but the event into which it goes is a professional event. It is at such a scale and, if it is to be creditable from a Jersey perspective, it has to be up to scale and professionally managed and, again, that is one of the key recommendations and there would have to be a good reason not to do so.

Senator J.L. Perchard:

Can I just ask, it seems to me you have gone from one extreme where you are being a bit liberal, *laissez-*

faire with public funds, to another where you are prepared to pull the plug on an event, or see it die, and perhaps there is somewhere in the middle where the responsibility of corporate governance... where your department should take some of that, particularly if you are to balance that with your requirements or your policy of staging these public events and promoting them.

Mr. M. King:

Just to make it absolutely clear, it is not as if we send out a letter to the grant-funded bodies and say: “If you do not send us this, you will not get a cheque”. We are... in fact I am going to sit as an observer on the board of the Battle of Flowers Association with former Deputy Farnham to make sure that there is direct involvement and that we are steering them towards being compliant, and officers in the department are working continually with all of the event organisers across the whole spectrum of events that we deal with to ensure that is the case. That perhaps is your middle ground but, in the end, the starting point has to be, in my view, compliance with the Codes of Direction or I fear that... well, the last thing I want to do is reappear in front of you again.

The Deputy of St. Ouen:

Can I just pick up a point. I know the others are wanting to question. You just mentioned there direct involvement; the Parish direct involvement with the Battle of Flowers Association. However, you also say that you accepted all recommendations and to have the recommendations that the Comptroller and Auditor General has made. Do you agree, with these recommendations, that the department should become directly involved in this particularly? In fact, are we just the opposite?

Mr. M. King:

What I am saying is that I think we accept... in fact, we endorse all the Comptroller and Auditor General’s findings but our involvement does not stop there. What I am interested in delivering for the Battle of Flowers for 2007 is an event of high quality that is fully compliant. My view is that as accounting officer and someone who is perhaps more painfully aware of the shortfall in the department than any other, the most appropriate thing for me to do is for me to give up some of my time to ensure that the Battle of Flowers Association is advised as to how their work is or is not heading towards the situation of compliance. That does not mean to say that I am involved in the decision-making process in any way, shape or form but it does mean, for want of a better word, I am giving them business advice and I am in a better position than, I think, anybody to give them that advice.

Mr. T. Grimes:

Mike, you stated quite emphatically, grants would not be forthcoming in the future unless they were compliant with these codes. How would you deal with an overzealous Minister - a forceful Minister - who was pressuring you into...

Mr. M. King:

What I would do is I would use the process that is defined. If that Minister wants to issue me with a letter of instruction - which he is perfectly capable of doing - I would advise him that it is against the opinion of the officers to award that grant because conditions have not been met. If he wishes to issue me with a letter of instruction, then so be it, but in doing so I absolve myself and our officers of responsibility.

Mr. T. Grimes:

Is there no escalation or recourse for you as accounting officer?

Mr. M. King:

I think what I have just described is the official channel that we have to follow. Is there a process of negotiation? I mean, I think getting to the point I have just described would effectively be a point of last resort but ultimately, if we were convinced that it was not a wise decision to invest States' funds in a particular event because we did not think we were going to get the returns we were looking for, I would advise against it and I would advise the Minister that if he wished that to be taken from the budget, a letter of instruction would be issued.

Mr. T. Grimes:

So you as the officer who are charged with the implementation of ministerial decisions, would you implement a ministerial decision if you knew it broke the law?

Mr. M. King:

Well, if it broke the law, no. I mean, I would have to say that if it broke the law, then I would be referring that to the Chief Executive who would refer it to the Chief Minister and the Council of Ministers and it would be dealt with in that fashion. If it is breaking the law, I certainly would not implement it.

Mr. T. Grimes:

And is that process that you just described with the Chief Executive; is that a well-established and accepted process within the Civil Service?

Mr. M. King:

It is a well-established... I mean, the Chief Executive is the Chief Executive of his officers and if there is an issue that is not being dealt with within the process of the department then I have absolute mandate to go and discuss that with the Chief Executive who will aid in the resolution of an issue.

Senator J.L. Perchard:

Are you aware of where you should go in the event of that sort of fronting-up?

Mr. M. King:

I should advise the Comptroller and Auditor General.

Senator J.L. Perchard:

Yes, and the Treasurer.

Mr. M. King:

Yes, but again that is the point of last resort because we are talking about potential resolution here rather than talking to the...

Senator J.L. Perchard:

Do you agree that it is important to establish this - albeit this is perhaps a test case - just so everybody knows their boundaries, including the Ministers?

Mr. M. King:

Yes, I agree with you and I think that the new policies issued by the Council of Ministers makes it very clear to both officers and Ministers about what is a decision, what is required in terms of advice before a decision is made, and I think there is a degree of clarity that has been brought to the process. I am not very happy about the way that clarity has been brought because it is a function of, I think, what has happened with the Battle of Flowers; but the fact it has been brought, I think, is going to make everybody's... well, it is going to add a lot more clarity to people's operations as they move forward.

The Connètable of St. Peter:

Clearly on the position that you found after a lot of preparation work in this particular event that had been taking place - unknown to you or certainly not been clearly notified to you - from what you are saying, we can, without any doubt - and I think, more importantly, the public of the Island - can be absolutely assured that nothing at all in any form, whether it be Battle of Flowers or other sorts, will in future take place unless there are absolute meaningful discussions which you are party to and the Minister. There will be no members of, shall we say, a particular position holding office for the organisation or for the actual department - be it your department or any other - that gained from your support and help, that there will be nothing untoward taking place at all now with the lesson of this one.

Mr. M. King:

I can give you my absolute assurance that no meetings from here on in will be held with Ministers in the absence of civil servants and I can absolutely assure you that the department is absolutely aware that at the first sign of there being anything that could be in breach of the Codes of Direction or in breach of

any of the agreements we have with grant-funded bodies or indeed, any other body that we deal with, that I will personally be notified. To that effect, since the event, I have reorganised the Economic Development Department and I have removed a layer of management from it such that there is much more direct control or direct relationship between me and the front line. So, for instance, the Director of Tourism who used to report through an Executive Director then to me now reports directly to me, so that I am no longer one level removed from the front line which is the situation I inherited.

The Connétable of St. Peter:

Given the problem that we have had with this particular situation, are there any other similarities which you have come across in your time under this new system?

Mr. M. King:

I think I pointed out earlier some of the issues that we have had with some of the other major events and I think it is fair to say that the same rigor that we are applying to the Battle of Flowers Association, we are applying to those events as well, but I am satisfied that the vast majority of events that we deal with are conducted and the grant funding is put in place. We get what we pay for; we get what they promise to deliver for us and it is a very important component of that which we promote for the visitor economy.

The Connétable of St. Peter:

And I assume following on from that there will, in fact, after each event where you tended to give support, there will a form of debriefing and analysing on the whole success of it.

Mr. M. King:

Yes. As I said earlier, as part of the formal grant process there is a requirement on all bodies to provide a post-event evaluation. What I am looking at, at the moment, is importing perhaps a slightly more sophisticated post-event evaluation which looks more directly at incremental gains in terms of prediction of visitor numbers or, indeed, spend on the Island from a visitor who perhaps would not have gone there, which is being done by some of the grant-funded bodies in the U.K. mainland. So we do it as a matter of course anyway. Sometimes it is quite difficult to extract that information from some of the larger grant-funded bodies, as I pointed out to you earlier, but we are going to continue to do it; in fact, we are going to enhance it and my personal belief is that we do not start on the grant process for 2007 until we receive the post-event evaluation in 2006. Now that is not something that is currently in the conditionality but, indeed, I believe it should be and it will be put in there subsequently.

Deputy A. Breckon:

Mike, can I ask you if you are aware of Financial Direction 5.4 about obtaining value for money from grants and would you like to comment in respect of the 2006 money granted to the Battle of Flowers Association in reference to value for money?

Mr. M. King:

Yes, I am. Value for money is really defined by the nature of the outputs; what you put above the line and you divide by the money below the line. I think that all of the information that I have in terms of the customer's view, the visitor's view, the Jersey residents' view of the Battle this year was that it was viewed in a very positive light, and if you take that subjective view then you can say that the monies that were put in, which is effectively sponsorship grant funding, did deliver value for money. I think if you take a slightly more objective view then I think there are significant areas for improvement - very significant areas for improvement. I would give you an example and I do not wish to tread into dangerous country here but the issue of a celebrity. We will extract a lot more value from funding that we may or may not put into the acquisition of a celebrity if we identify that person, whoever he or she is - and I will not go into that ground - and we identify them in very early course. So their presence at the event can become part of the marketing that is used to build-up to the event. So that money extracts more value than it would if it is just put in there to provide somebody who is not included in the build-up. That is an example of increasing the value for money, so do I think that the money that was put in, albeit with the failures in the process, represented good value for money? Well, in terms of it allowed the Battle of Flowers to continue and to happen, yes I do. Are there areas for significant improvement and are those the sort of areas that somebody who is going to sit on the observer to the Battle of Flowers Association and give them that sort of advice? Yes, there are but that is my take on it.

Deputy A. Breckon:

Would you agree that the public and those attending would not be aware of the financial toings and goings behind the scenes anyway so it would not really be an issue to them?

Mr. M. King:

I think the point is that it is an issue if it leads to the sort of reaction that has spurned this whole review. People want to see... everybody will have their individual view of what value for money represents and I do not think it takes...all one has to do is to take a commonsense approach to an event such as the Battle of Flowers to make people feel that the money they have paid in taxes is going into the event and they are getting something that is worth having. Perhaps that is the public perception of it. No, I would not expect them to and I hope they would not be aware of all of the details of the financial to-ings and fro-ings, but I do believe it is a reasonable expectation for people to think that if they are contributing money to an event like that, which people are very aware the States contributes money to, they will get something that they are proud of.

Senator J.L. Perchard:

Mike, just going back to a couple of things you said, and I fully concur that your departmental responsibilities are huge, and as I understand you are going to get another area probably if the States

approve it. Fisheries are going to come under your watch so you have a huge departmental responsibility as Chief Executive and as Accounting Officer. I do get a sense that you are disappointed really with the way things have turned out here, to say the least. I have a lot of sympathy for you in the position you have. My question is though, is the portfolio of responsibilities within your department as Chief Executive and Accounting Officer just too big?

Mr. M. King:

No, I do not think it is. I do not think it is too big. It relies on high quality management and leadership throughout the whole of the portfolio and that, to an extent, is down to the individuals. But on another perspective, it is down to my expectations of them and how I shape them and, you know, that is something we are working on very actively at the moment. To be the Director of Jersey Airport is a very different thing than that which it used to be 10 years ago and we have a very different person, for instance, doing that now. So, no, I do not think the portfolio is too large and, indeed, I think it is absolutely essential that Economic Development does have all of the elements of the economy within its portfolio because that is how, I think, we will deliver what we are charged with delivering which is the growth that we all need.

Senator J.L. Perchard:

Are you happy then that you can drill down into the grass roots of the department to ensure compliance?

Mr. M. King:

Yes, I think I am, and I am happy that I can do that. I am happy that this has been, for me as Chief Officer, a very cathartic experience - which is probably the best way of putting it - and I will use that in the way that I manage the department and it will be managed very, very overtly with a compliance rationale associated with it.

Senator J.L. Perchard:

Just finally on this, if I may, you mentioned that your departmental officers had a remit to read the procedural practices before this event, since this event. Are you satisfied that is sufficient, just to ask them to revisit their responsibilities under the law?

Mr. M. King:

Well, it will not surprise you that I have not just said read it.

Senator J.L. Perchard:

Could you expand on what you are doing?

Mr. M. King:

What I have done, I have made it absolutely clear - and it comes back to the question that was asked earlier - I have made it absolutely clear that if any officer in the department believes there is any possibility that the Codes of Direction are being breached they should inform me immediately, and that means that if a Minister comes to talk to somebody who is 4 levels or 3 levels below me, then that person has to know that if they feel they think there is something untoward they are not to pass it up the line but come straight to me as Accounting Officer. So I think the answer to your question is that people are and have been made painfully aware of the fact that they need to be vigilant at all times because what this has shown very, very clearly is how tightly - and I think this is an interesting perspective on it - how tightly we have to control expenditure. I think there was perception in the department that... well, there is now a perception in the department of exactly how tight tight is.

The Deputy of St. Ouen:

A question has been raised, I think it was in the Comptroller and Auditor General's report, whether it was wise for a member of the department's staff to be co-opted to the Association's council in the full knowledge of the department and, as I say, the question has been raised. I mean, I want to come back to a comment that you made earlier which said that you were going to be directly involved. Are you suggesting that you are going to maintain that one man involvement with a member of staff being co-opted on to that Association and equally, I mean, in addition, you will be rolling your sleeves up and getting stuck in as well?

Mr. M. King:

Let me re-emphasise what I said earlier. My involvement with the Battle of Flowers Association from here on in is predicated on having a position as an observer on their board to provide them with advice. I do not see myself as part of the decision-making process. Clearly, if I was a part of the decision-making process, I would be... at least open to be conflicted, yes. But if you take the Comptroller and Auditor General's report and whilst the Association has fully accepted the findings, how easy do we think it will be for them to hand-over the delivery of an event which they have been undertaking as an association for 54 years to an outside body? Now, I see my role as facilitating that process because that is the outcome that I believe we should have and the issue is - and I am in a position to say, because ultimately the budget rests with the Accounting Officer - I am in the position to say something that Senator Perchard referred to earlier that if that does not happen and we do go against the recommendations of the Comptroller and Auditor General's report then I would be minded to advise against the Economic Development Department issuing the grant. That is the level of my involvement. This is business advice and the one thing about business advice is that quite often you will end up telling people what they do not want to hear but is absolutely key.

The Deputy of St. Ouen:

But surely the bigger picture is that it is not just the Battle of Flowers that we are handing out grant

money to, and if you are going to spread yourself around every individual group and association that we provide money for to ensure that they meet their obligations, we are never going to get there.

Mr. M. King:

There are 2 things, well, there is one thing. I think it is appropriate for somebody in my position to lead by example and that is what I would intend to do and I do. I act as Account Manager for key customers that we have. I do it for the Battle of Flowers, I do it for the Jersey Royal Potato marketing in a different world because it is an important part of the economy and I believe that nature of direct - and by direct I do not mean total involvement but I mean one-to-one involvement such as they get the benefit of my advice - both is good for those key customers and, indeed, creates an example that the others in the department have to follow. That is the difference between leadership and management in my view, so that is what I intend to do. No: if you ask me to spread myself across every event and every company... well, I do not know.

Mr. T. Grimes;

You said you have a £16 million budget. I just cannot comprehend really, this detailed engagement. I think it is admirable in many ways but what are the rest of your staff doing? I mean, have you not got competent people to...

Mr. M. King:

Oh, yes. No, I have but what I am saying is that in the key areas of spend, I have a direct involvement with the customer as well as having the management responsibility for the people who are also working the issue as well, and I do not think that is an unreasonable position to take. Let me give you an example. We have people; let us take the Jersey Royal Potato marketing where we contribute a significant amount of the marketing activity there. There are people from our agricultural staff up at Howard Davis Farm that are dealing with the company day-to-day but when it comes to controlling the relationship between our marketing agency and our marketing spend and that key account, I think it is perfectly legitimate - on a selective basis - for me to be involved. Do I get involved in everything? No, I do not; but are they key accounts whereby undertaking that type of activity I can create an example by which I would expect others to follow, then, yes, I do. I am talking about somewhere between 5 and 10 major customers and we have probably 300 or 400 that we deal with.

Mr. T. Grimes:

If I was playing devil's advocate I would say it is an over-reaction to this issue.

Mr. M. King:

I come from a world, and I have been brought up to believe, that you lead by example and I would rather be involved in the activity from the coal face up to the top of the pit, for want of a better word, on

certain accounts. So the better I understand the issues all the way through the value chain than I would sitting in an ivory tower... at least I am not remote from it. That is not my style and I will struggle to adopt a style like that. I mean, I think that presumably the reason that I was hired was I can undertake the job well, so that is fine. That is what I do.

Mr. M. Magee:

Sorry, I am going to sound as if I am going to repeat the same thing again but I am also trying to say, do not be involved with this thing personally...

Mr. M. King:

I would like to sign off on that.

Mr. M. Magee:

Because I looked through the internal audit report that was done on the whole thing and one of the things I found which was quite compelling was - because I was sad enough to read through all this stuff - a letter from David de Carteret to Bob Pallot and a whole lot of things were mentioned in there, but right then he said: "Advisors that sent out those have already started tackling some commercial sponsors". So he is taking a role to basically do this matching thing for the £45,000, so how do you divorce yourself from that? It is a bit like you and your heart might be in the right place, Mike, and you might say: "I will take on this bit here" and then you find yourself between a rock and a hard place.

Mr. M. King:

It is perfectly legitimate. Senator Ozouf did that in that instance and I can assure you that it will be the chief officer if that needs to be done as we move forward, because I think political involvement is something that we need to manage properly because I think it needs to be managed properly. It is perfectly legitimate because of the contact that chief officers have because of their position - contacts that they have within organisations - to facilitate a discussion between a commercial sponsor and the Battle of Flowers Association. I do not see any problem with that whatsoever. Would I want to be involved in the detailed discussions once that networking opportunity has been established? Absolutely not. That is between the company and the Association but facilitating the discussion is something that is a legitimate role, just like I would facilitate the discussion between any 2 companies in Jersey who I thought if they worked together could hold the greatness of the part. We do it all the time. That is part of the function of Economic Development, to hook up A with B to get something which is bigger than the 2 added up.

The Deputy of St. Ouen:

Right, gentlemen, we have now reached 4.00 p.m. and we do not want to detain you any further. Does anyone have any specific question, a last question they would like to ask? In that case, I would like to

thank you, Mr. King, for attending and your responses that you have given; and as I say, we thank you for your time.

Mr. M. King:

It was a pleasure, thank you.