

**THE COMPTROLLER & AUDITOR GENERAL'S  
ANNUAL REPORT**

**FOR THE PERIOD FROM 1 JANUARY 2007 TO 30 JUNE 2008**

**31 OCTOBER 2008**

*Comptroller & Auditor General  
Annual Report  
For the period from 1 January 2007 to 30 June 2008  
First Draft ~ Sunday, 02 November 2008*

**Introduction**

1. This is the second annual report which I have published as Comptroller & Auditor General and covers the period from 1 January 2007 to 30 June 2008.
2. The period has been lengthened so that a full account can be given to the States' Spending Review which was by far the most significant single exercise during this period. Planning for the Review began in October 2007 and led to the publication of a report entitled 'Emerging Issues' in May 2008. As planning began, a number of other exercises were subsumed into the Review and did not lead to separate reports. Moreover, following the publication of 'Emerging Issues' in May 2008, work has continued on individual elements of the Review.
3. In this Report, I will review:
  - (1) how I have sought to accomplish the purposes set out by the Public Finances Law 2005;
  - (2) the reports published during the period covered by this Report;
  - (3) the way in which the work done has followed the framework set out in my Consultative Document published in 2006;
  - (4) the relationship with the States' Public Accounts Committee; and
  - (5) the work currently in hand and soon to be published.
4. In company with this report, I am publishing a Consultation Document on the programme of work that I propose to carry out during the next two years 2008-2010.

**Public Finances Law 2005**

5. The duties of the C&AG are set out in the Public Finances Law 2005 in the following way:

*“46 (1) It is the duty of the Comptroller and Auditor General to provide the States with independent assurance that the public finances of Jersey are being regulated, controlled and supervised and accounted for in accordance with this Law and that the provisions of this Law are otherwise being duly complied with.*

*(2) That duty shall be taken to include, in particular, assuring the States –*

- (a) that money withdrawn from the consolidated fund, the strategic reserve fund or the currency fund was used for the purpose for which it was authorized to be withdrawn; and*
- (b) that all income due to the States has been collected or otherwise duly accounted for.*

*(3) It shall also be taken to require the Comptroller and Auditor General to consider and report to the States on –*

- (a) the effectiveness of the internal financial controls of States funded bodies and the internal auditing of those controls; and*
- (b) the economy, efficiency and effectiveness in the way they use their resources of States funded bodies, independently audited States bodies (other than those that are companies owned or controlled by the States), and States aided independent bodies; and*
- (c) the general corporate governance arrangements of the States and of States funded bodies, independently audited States bodies and States aided independent bodies,*

*and, in each case, to make recommendations to bring about improvement where improvement is needed.*

*47 (1) When the annual financial statement on the accounts of the States for a financial year is sent to the Comptroller & Auditor General by the Treasurer in accordance with Article 32(1)(b) the Comptroller & Auditor General must ensure:*

- (a) that the audit of it is completed;*
- (b) that a certificate from the person carrying out the audit is attached to the statement; and*
- (c) that the statement with the attached certificate and any note mentioned in paragraph (3) are forwarded to the Minister.”*

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6. I discharge these duties in the following way:

- (1) Annual financial statement: in 2006 I appointed PricewaterhouseCoopers (PWC) to undertake the audit of the annual financial statements of the States of Jersey and of the Social Security Funds. As a part of the annual audit are also required to establish for the purposes of the audit that the public finances are regulated in accordance with the requirements of the law and that money withdrawn is used for the purpose for which it was authorised to be withdrawn (see the requirements of Articles 46(1), 46(2), and 47(1) above).
- (2) Internal controls: the audit carried out by PWC also involves work to establish, within appropriate materiality constraints, the effectiveness of the States' internal controls which are of course described in the Statement on Internal Control published with the Annual Financial Statements of the States of Jersey (see the requirements of Article 46(3)(a) above).
- (3) Internal audit: in 2006 I commissioned a review of the internal audit arrangements in place within the States which led to a number of changes in the organisation of internal audit.
- (4) Economy, efficiency and effectiveness: during the period covered by this Report, I undertook a major review of States' Spending which led to the publication of a report on ways in which States' expenditure could be reduced. This review subsumed capability reviews of the Planning & Environment Department and of the Department of Education Sport and Culture and a further review of the organisation of the Law Officers' Department. The principal outcomes of those reviews were published in May 2008 in a report entitled 'Emerging Issues'.
- (5) Corporate Governance: in July 2008, I published an interim report on corporate governance within Waterfront Enterprise Board Limited and am about to undertake a review of corporate governance within other States owned companies.

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7. A complete list of the reports published during the period covered by this Report is set out in Appendix One. Copies of all of these reports are available by way of my own website and that of the States Greffe.

**Programme Consultation Document 2006**

8. The proposals that I published in 2006 envisaged that a number of activities would be undertaken:

- (1) the audit of the annual financial statements of the States: the audit has been undertaken on my behalf by PWC as described above.
- (2) a review of the state of financial management within the States: proposals for the detailed framework for this review are set out in documents which are being published at the same time as this Report.
- (3) a review of performance reports published by the States: two such reports have now been published by the States. The States decided to publish without an accompanying review report as had originally been proposed.
- (4) the audit of other financial statements for whose audit the C&AG is responsible: this consists largely of the audit of the Social Security Funds which has been undertaken again by PWC on my behalf.
- (5) a review of the management of 'special funds': a report on the Drug Trafficking Confiscation Fund and the Criminal Offences Confiscation Fund was published in 2007.
- (6) reviews of major asset disposals by the States: during the period covered by this Report, there have been no such disposals apart from recent sales of social housing units . It is proposed that future major disposals will be reviewed as and when they occur and that sales of social housing units will be reviewed after a suitable period has elapsed.
- (7) a review of new arrangements for public access to information about States' services: this will be undertaken during 2009.
- (8) a review of IT procurement practices: this took place during 2007.
- (9) a review of benefit fraud management arrangements: the States' arrangements with regard to the reduction of fraud risk have been reviewed during the period by the States' Internal Audit.

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- (10) review of value for money in States' departments: this was undertaken in the form of the States' Spending Review.
- (11) a review of corporate governance arrangements within one trading fund and one States-funded body: in the event a review was undertaken of corporate governance within WEB which has led into a review of corporate governance within States owned companies. I have commissioned a review of the effectiveness of the management and oversight frameworks for States' trading funds.
- (12) reviews of at least two States departments: reviews of the Planning & Environment Departments, the Department of Education Sport and Culture and the Law Officers' Department were commenced during 2007 and then subsumed within the States' Spending Review. The principal outcomes of those reviews were published in the report entitled 'Emerging Issues'.
- (13) Performance management: the proposals for examining performance management are contained within the documents being published at the same time as this Report.

**Public Accounts Committee**

9. Under the Public Finances Law, I am personally responsible for the programme of work that I undertake which I prepare in the light of my own assessment of priorities for my attention and responses to the Consultation Documents that I publish from time to time. The Public Accounts Committee, scrutinise my reports and take what ever action is deemed appropriate in response to those reports.
10. In addition, during the past three years I have briefed the Committee on issues as they arise and in particular provide commentaries for the Committee on the Annual Financial Statements of the States of Jersey and the Social Security Funds. Apart from the overall commentary on the accounts, I have also provided detailed briefs members of the Committee in preparation for the Committee's hearings to consider the annual accounts and other matters. The briefing documents are private to the Committee.
11. Naturally, the Committee's reports are the responsibility of the Committee alone.



**Current work**

12. The work currently in hand consists of:

- (1) completion of the review of corporate governance within WEB.
- (2) a review of corporate governance within States owned companies.
- (3) a review of data security issues within the States.
- (4) a review of the management and oversight structure for States' trading funds.
- (5) a review of management of the States' interests in States owned companies.
- (6) preparation of a briefing paper on the funding of the States' social security benefits system (at the request of the Public Accounts Committee).
- (7) a review of the working of the Public Finances Law 2005 (as the last stage of the States' Spending Review).

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**APPENDIX ONE ~ REPORTS PUBLISHED**

RC 14/2007	Jersey Financial Services Commission (27 February 2007)
RC 24/2007	Overseas Aid Commission (3 March 2007)
RC 28/2007	States' Aggregate Expenditure (22 March 2007)
RC 86/2007	Jersey Opera House (September 2007)
RC 96/2007	Drug Trafficking Confiscation Fund and Criminal Offences Confiscation Fund (1 October 2007)
RC 1/2008	Annual Report (2 January 2008)
RC 11/2008	States Spending Review: Setting the Scene (7 February 2008)
RC 12/2008	States Spending Review: £35 million Cost Reductions (7 February 2008)
RC 31/2008	States Spending Review: Pension Schemes for States' Employees: governance (10 April 2008)
RC 32/2008	States Spending Review: Pension Schemes for States' Employees: status (10 April 2008)
RC 33/2008	States Spending Review: Pensions Schemes for States' Employees: liabilities (10 April 2008)
RC 48/2008	States Spending Review: Emerging Issues (19 May 2008)
RC 66/2008	Waterfront Enterprise Board: Interim Report (1 July 2008)