

STATES OF JERSEY



JERSEY COMPETITION REGULATORY AUTHORITY: INTERNAL AUDIT REPORT

**Presented to the States on 29th June 2004
by the Economic Development Committee**

STATES GREFFE

5	Controls are excellent and the audit identified examples of best practise or innovation.
4	No control weaknesses or errors have been found. There are no major recommendations for improvement although some “added value” recommendations may have been made to reflect best practise.
3	No significant control weaknesses or errors have been found. Some recommendations for further improvements to controls may have been made.
2	Controls are not satisfactory and errors have either been found in the audit or there is a high possibility of error in the future. Recommendations for improving controls have been made.
1	Controls are very weak. The audit has found significant errors or control weaknesses. Immediate action needs to be taken to address the weaknesses found.

INTERNAL AUDIT OF THE FINANCIAL CONTROLS AT THE JERSEY COMPETITION REGULATORY AUTHORITY (JCRA) AND THE CONTROLS OPERATED BY THE ECONOMIC DEVELOPMENT COMMITTEE IN RELATION TO THE PAYMENT OF A GRANT TO THE JCRA

Internal Audit Report

Issued by the
Chief Internal Auditor

MAY 2004

1. Executive Summary

- 1.1** This audit has found a number of serious weaknesses in the control framework in place to ensure the accountability of the grant paid by the States to the Jersey Competition and Regulatory Authority (JCRA). Many of the weaknesses undermine the corporate governance of the JCRA and its relationship with the Economic Development Committee. As a result of our findings and the number of recommendations for improvement we have made, our assessment of the current controls in place with regard to the grant paid to the JCRA is –

Excellent	5	<input type="checkbox"/>
	4	<input type="checkbox"/>
	3	<input type="checkbox"/>
	2	<input type="checkbox"/>
Poor	1	<input checked="" type="checkbox"/>

This assessment relates to all the controls exercised over the grant paid to the JCRA, whether they are the responsibility of the –

- Economic Development Committee/Economic Development Department;
- JCRA; or
- Both organisations.

1.2 Summary of Management Action Plan

We have made 17 recommendations, which are detailed in the Management Action Plan at the rear of this report.

Within the Management Plan we have identified the organisation which needs to take the recommended action. The analysis of the Plan identifies that –

- 8 recommendations have been directed to the JCRA;
- 4 recommendations have been directed to the EDC/EDD;
- 5 joint recommendations have been made.

RISK	NUMBER OF RECOMMENDATIONS
High	Ten (Numbers 1, 2, 3, 4, 6, 7, 8, 9, 16, 17)
Medium	Five (Numbers 5, 10, 11, 13, 14)
Low	Two (Numbers 12 & 15)

1.3 We would suggest that the key areas identified in the Management Action Plan, and which need to be actioned as a priority are –

- Members remuneration can be reviewed by JCRA but must be ratified by EDC to comply with the Competition Regulatory Authority (Jersey) Law 2001 and to ensure remuneration is appropriate (para. 4.1).
- All potential increases to members remuneration must be subject to appropriate authorisation and documentation and approved by EDC to ensure these are appropriate (para. 4.1).
- Fees paid to members and consultants must indicate days worked, location and activity to ensure payment is correct (para. 4.2).
- Appropriate levels of expenses reimbursement must be established and agreed by EDC in order to ensure appropriate payments are made (para. 4.3).
- Non-executive directors should be appointed to the JCRA Board to ensure appropriate ‘checks and balances’ in the operations of the regulatory Authority (para. 4.5).
- Corporate Governance requirements should be clearly identified and agreed by both EDC and JCRA to ensure appropriate conduct (para. 4.5).
- Quarterly review meetings should take place between EDC and JCRA to ensure EDC can carry out its statutory monitoring duties (para. 4.5).
- Any significant adjustments to the JCRA’s annual accounts should be referred to EDC to ensure their understanding of the financial position (para 4.6).
- An SLA needs to be formally agreed and signed off by EDC and JCRA in order to formalise the relationship and assist EDC in its statutory obligations (para. 9.1).
- A method of establishing a cost/benefit analysis is required in order for the measurable aims and objectives of the JCRA to be clearly identified (para. 9.2).

2. Introduction and Objectives of the Audit

2.1 An audit of the financial controls operated by JCRA was carried out by Ann Harrison and Dion Davies from FourSight Consultants, on behalf of the Audit and Risk Management Division during the week commencing 12th April 2004.

2.2 Audit Work Undertaken

2.2.1 Establish how the JCRA applied the grants provided to it by the States in 2003 and how it intends to apply the States grants for 2004. The categories of expenditure and income and the relevant controls over each of these were established.

2.2.2 Establish the current financial controls operating within the JCRA. In particular the adequacy of the controls over the following areas were established –

- Budgetary control and budget monitoring procedures;
- Ordering procedures;
- Receipt of goods and services;
- Invoice processing (payment against original invoice, checking of invoice, and segregation of duties);
- Structure of the general ledger – how it is coded; use of journals;
- Control and use of petty cash;
- Cash handling arrangements;
- Bank reconciliations;
- Financial reporting;
- Control and security of assets (Asset registers, disposal of assets, checking of assets).

2.2.3 A sample of income and expenditure transactions were selected from 2003 and 2004 to date, to ensure that the correct controls have been applied and that the transactions have been accurately recorded and posted in the ledger. We also ensured that the transactions were an appropriate charge to the budget of the organisation.

2.2.4 Discuss with the JCRA their likely funding requirements for the future and how they intend to meet these.

2.2.5 The controls within the Economic Development Department regarding the payment of the grant to the JCRA were critically reviewed. This review extended to the controls the Department has introduced to ensure that the grant is spent for the purposes intended. In particular the progress in establishing a Service Level Agreement with the JCRA was reviewed.

The audit was carried out at the request of the EDC. The commencement of the audit was planned for 1st March 2004 but was delayed due to the availability of Mr. Leslie Bowbrick.

2.3 Expenditure and Income Analysis for the financial years 2003 and 2004

Expenditure and Income Analysis for the financial years 2003 and 2004

<u>Income</u>	2003 Budget	2003 Actual	Notes	2004 Budget
Licence Fees	1,160,000	805,774		832,000
States Grant	231,000	212,376	(1)	200,000
Competition Grant			Law	350,000
Other	60,000	25,295		60,000
	<u>1,451,000</u>	<u>1,043,445</u>		<u>1,442,000</u>
 <u>Expenditure</u>				
Staff	502,925	545,460		736,991
Premises	57,750	46,421		56,750
Supplies	57,500	26,446		34,500
Consultancy	406,000	171,535		475,000
Establishment	129,000	290,746		122,500
	<u>1,153,175</u>	<u>1,080,608</u>		<u>1,425,741</u>
Surplus/(Deficit)	<u>297,825</u>	<u>(37,163)</u>		<u>16,259</u>

Note (1) £87,624 was carried forward into 2004, creating a deficit of £37,163 in 2003.

2.4 The JCRA is a corporate body established under the Competition Regulatory Authority (Jersey) Law 2001, which came into force on 1st May 2001. The overall aim of the JCRA is to promote greater competition on the Island to the benefit of business and consumers. At the time of the audit the JCRA had a three-member Board consisting of a part-time Chairman, Patrick McNutt, a full-time Executive Director, Charles Latham, and a part-time non-Executive Director, Leslie Bowbrick^[1]. The Chairman is appointed by the States on the recommendation of the EDC.

The three main areas of responsibility of the JCRA are –

- to regulate entry by developing a licensing regime and licensing all operators of telecommunications, in an effort to guard against anti-competitive behaviour;
- to undertake a process of public consultation prior to the implementation of change; and
- to provide the Economic Development Committee, on request, with reports, advice, assistance and information in relation to competition, monopolies and utilities.

The JCRA's first focus has been on the liberalisation of telecommunications in Jersey. The Telecommunication (Jersey) Law 2002 was brought fully into effect on 1st January 2002. This Law gave the JCRA the responsibility for licensing telecoms operators in Jersey. The Postal Services (Jersey) Law was recently approved by the States and is currently awaiting Privy Council approval. The JCRA assisted extensively in the production of the Draft Competition Law.

Article 17 of the Telecommunications (Jersey) Law 2002 provides the JCRA with the authority to set licence fees at the level that will enable it to recover its costs of establishment, and the short and long term costs that it incurs, i.e., to be a self-financing body as far as telecommunications regulation is concerned.

The funding made available to the JCRA by the States has reduced from £569,000 in 2002 to provisional funding of £200,000 in 2004. The funding has reduced as the JCRA now receive a licence fee from the newly incorporated Jersey Telecoms Ltd. However, the JCRA can also charge the Economic Development Committee (EDC) for any additional work it does on their behalf.

2.5 Since the creation of the JCRA, there have been a number of changes to the structure of government. Funding was originally provided by the Industries Committee, the functions of which were amalgamated into the EDC from December 2002.

The following individuals were interviewed and provided all the information and source documents required –

L. Bowbrick – JCRA Director
P. Hamilton – Case Officer/Board Secretary
B. Anthony – EDC – Interim Chief Executive Officer
A. Belhomme – EDC – Corporate Resources Director
W. Gallichan – EDC Director of Regulatory Services.

A meeting between the auditors and the Board of the JCRA also took place on 12th May 2004.

We would like to thank all of the above individuals for their cooperation in the completion of this audit.

2.6 **This audit report is directed to Bevan Anthony – Interim EDC Chief Executive Officer. Copies of the final report have been sent to –**

Deputy Gerald Voisin	President of the Economic Development Committee
All other members of the Economic Development Committee	
Patrick McNutt	
Charles Latham	JCRA Executive Director
Leslie Bowbrick	JCRA Director
Tim Dunningham	Chairman – Shadow Public Accounts Committee
Deputy Sarah Ferguson	Shadow Chairman - Shadow Public Accounts Committee
Senator Philip Ozouf	Audit Representative of the Finance and Economics Committee
Karl Hairon	Senior Manager, PricewaterhouseCoopers (States Auditors)

3. Methodology

- 3.1 The categories of income and expenditure have been identified and the controls over each category have been established and critically reviewed.
- 3.2 The budget-setting process was reviewed to establish how the EDC grant was applied to the Pay and Non-Pay administration and regulatory set-up. The funding requirements for the future were discussed with Mr. Bowbrick.
- 3.3 The recording of the 2 expenditure streams –
- regulatory funded from licence fees; and
 - set up and other costs funded by the States
- were reviewed to ensure that they had been accurately recorded.
- 3.4 Budgetary control and monitoring processes were reviewed to ensure they were appropriately applied.
- 3.5 The financial controls operating over the ordering, receipt of goods and services, invoice processing and authorisation, petty cash and income receipting were reviewed for adequacy.
- Samples of income and expenditure transactions have been selected to ensure the controls have been operated satisfactorily and that the transactions were correctly recorded.
- 3.6 The controls which EDC operate over the grant payment were established. The progress in agreeing a Service Level Agreement between EDC and JCRA was reviewed. (We were informed by the JCRA that they had not yet been involved in any discussions regarding an SLA and at the time of the audit they had not seen a draft.)

4. Review of categories of Income and Expenditure and appropriate Controls

4.1 Remuneration of Members

The Competition Regulatory Authority (Jersey) Law 2001 states in Article 5 that–

“ARTICLE 5

Remuneration of members

- (1) The Authority shall pay to the members –
- (a) such remuneration as the Committee determines; ...”

At JCRA the members’ initial contracted remuneration was agreed by the Industries Committee. However, subsequent members’ remuneration reviews have been agreed at private Board Meetings. The last meeting on 19th June 2003 was attended by the 3 members whose salary/fees were being reviewed. The Private Board Minutes were not signed and dated. We were informed that the justification for this action by JCRA was based upon the –

Terms of Appointment issued to Dr. P. McNutt dated 26th July 2001, which stated in para. 4 Fees ‘This fee will be reviewed by the JCRA, with effect from 1 June 2002 and annually thereafter’. This document was signed by Deputy M. Dubras, President of the Industries Committee.

Contract of Employment issued to C. Latham dated 15th August 2001 para. 7- Salary..... ‘Salary will be reviewed by the Authority with effect from 1 June each year.’ This document was signed by J.F. Mills, Acting Chief Executive Officer, Industries Committee.

The JCRA maintain they had verbal agreement from the Industries Committee that salary setting was delegated to the Board. There is no documentary record of this. The JCRA also maintain they had written agreement from the Industries Committee in the contracts of employment issued to the Chairman and Executive Director. Following our audit, minutes of a meeting held on 4th March 2004 were provided to us which was attended by the President of EDC, Interim Chief Executive of EDC and the Chairman of JCRA, amongst others^[2]. The minutes record that the JCRA Chairman stated that, upon his appointment as Chairman, the Industries Committee had verbally agreed that the Authority would determine the remuneration of the Board. The minutes go on to record that the President of EDC “confirmed that no record of this verbal instruction could be found in the minutes of the Committee and confirmed that any future remuneration considerations must adhere to Article 5 and must be determined by the EDC”.

A review of the members’ remuneration has identified that the basic salary/fee, plus in the case of the Executive Director a rent allowance, has increased as follows –

	Note	2001 WEF 1 June £	2002 WEF 1 June £	2003 WEF 1 June £
Chairman – Fee	(1)	46,400	58,679	68,861
Executive Director – Salary	(2)	80,850	96,339	109,994
Director – L. Bowbrick– Fee	(3)	-	24,000	60,000
Rates per day			£400 per day	£460 per day
L. Bowbrick				

- Notes: 1. Payment relates to part time working based on a minimum of 100 days p.a. and is set at 80% of the Executive Director’s remuneration (excluding rent allowance) approved in writing by Deputy Maurice Dubras, President of the Industries Committee, in a letter dated 23 July 2001.
2. Includes rent allowance.
3. Paid on a daily rate; the days worked in 2003 were more than those worked in 2002.

Additional remuneration was received as follows –

	2003
Chairman	£
Additional 27 days' work – relating to 2001/02	21,600
Consultancy for Competition Law	7,500
	<u>29,100</u>

It should be noted that the Terms of Appointment Section 3– Duties, states that –

“appointment is part time based upon a minimum 100 days per annum and within this parameter you are expected to work such hours and times as may from time to time be reasonable for the sufficient performance of duties, with appropriate flexibility. This includes remote working as well as time spent in Jersey.”

Executive Director	
Consultancy for Competition Law	<u>7,500</u>

The authorisation for these payments was approved at the private Board Meeting on 19th June 2003. We were informed by the JCRA that this was based on –

- an e-mail issued by the Chairman to Deputy Dubras on 2nd May 2002 in which he refers to the reiteration of the additional work commitment averaging 130 days in the first year of appointment. There is no record of Deputy Dubras responding to this e-mail;
- verbal agreement at a meeting in April 2002 by Deputy Dubras and Deputy Voisin regarding the additional 27 days' work carried out by the Chairman, as it was considered a cost to the Authority and that it was a matter for the JCRA;
- Agreement by the then Chief Executive Officer, Policy and Resources, (J. Mills) and the Acting Chief Executive Officer, EDC, (C. Swinnerton) for the consultancy for the Competition Law.

There was no documentation to confirm this agreement. The Chairman, in his letter to L. Bowbrick dated 20th August 2003, indicated that the payment in relation to the Competition Law was orally agreed by Dr. Clive Swinnerton, the Acting Chief Executive of the Industries Committee on 16th May 2002, at an Industries Committee meeting apparently attended by amongst others, Deputy Dubras, Senator Ozouf and Deputy Voisin. We have been informed that this was not a formal Committee meeting; there was no Committee Clerk present and no minutes were taken.

The contract of employment for the Executive Director confirmed the payment/reimbursement of –

- Cost of maintaining the practising certificate as an English solicitor;
- cost of return economy class air travel between Jersey and U.K. for 2 journeys each for the Executive Director, spouse and dependent children.

See Appendix 1 for detailed Analysis of Remuneration.

Other relevant payments or other provision may be made by the Authority under Article 5(2) of the 2001 Law, when special circumstances arise as the Industries Committee may direct.

The contract of employment for the Chairman states that –

“Reasonable travel, subsistence and operating expenses, necessarily incurred in carrying out duties will be reimbursed.”

4.2 Remuneration of Members

The Executive Director is paid a monthly salary based on one-twelfth of the annual salary.

For 2001 and 2002 the Chairman was paid through the JCRA payroll and therefore did not submit invoices. It was necessary to change the method of payment from payroll to an invoice basis. The change was necessary as the Chairman received a Jersey tax bill in error, as a result of being included on the payroll. The payment is transferred to the appropriate account on an irregular basis, often to maximise the tax benefits which accrue from Irish tax laws.

The Chairman received Jersey Tax advice, paid for by the JCRA to rectify the tax situation.

The Terms of Appointment state that ‘the fees will be paid by equal monthly instalments on the last working day of the month.....’.

Authorisation to pay has been given as follows –

Period	Authorised by	Paid
January – June 2003	Executive Director/ L. Bowbrick	29th December 2003
July – December 2003	Invoice received at the time of the audit	4th April 2004 sent for payment

There are no details on the invoices of either –

- days worked;
- location;
- activity performed.

Since the audit the Chairman has supplied examples of itineraries to support his JCRA activities. However these were not attached to the invoices, at the offices of the JCRA.

L. Bowbrick submits a monthly invoice detailing –

- dates and hours worked;
- activity carried out;

For the period October 2003 to February 2004 all invoices had been authorised for payment by the Executive Director.

4.3 Expenses

Competition Regulatory Authority (Jersey) Law 2001, Article 5– Remuneration of Members –

“ARTICLE 5

Remuneration of members

(1) The Authority shall pay to the members –

... ..

(b) if the Committee so determines, reasonable out-of-pocket or other expenses occasioned in the course of carrying out their duties.”

Category – Meals and Entertaining

A sample of 31 invoices/receipts coded to Meals and Entertainment identified that the Chairman Executive Director and L. Bowbrick have been reimbursed for meals and entertaining at a cost of between £15 per head for lunch to £53 per head for evening meals.

In the sample selected the costs were incurred in a number of locations, but mainly in Jersey. The number of guests taken to meals varied between one and 13. There is no information regarding the requirements for or the names of the other guests.

Subsequent to the audit the Chairman has supplied examples of itineraries to support his JCRA activities. However these were not attached to the invoices, at the offices of the JCRA.

See Appendix 2.

Hotel Accommodation

A sample of 5 invoices coded to Hotel Accommodation identified that hotel costs did not appear excessive.

See Appendix 3.

Travel and Subsistence

A sample of 52 invoices coded to Travel and Subsistence for 2002 and 2003 identified that–

- There were 22 instances where reimbursement was made without appropriate receipts and some were paid based upon a statement by the supplier, which did not provide adequate detail for review purposes.
- Of these 22 reimbursements, 5 had no information other than an expense claim. The value of these claims was £112.04.
- There is only one instance of dinner and one of lunch where more than one person attended. There is no information regarding the names of the other guests.

See Appendix 4.

Since the Audit the Executive Director has confirmed that documents relating to flights booked via the internet were held at the JCRA office although not attached to the expense claims.

4.4 Conferences and Course Fees

In 2003 £24,908 costs were incurred in conferences and course fees. These costs represent only the cost of the conference or course and do not include travel and subsistence to attend the course.

- The request to attend conferences and courses is made to the Executive Director, who will give approval.
- An analysis of £14,823 of course costs is provided. The expenditure is generally incurred by the 4 permanent members of staff.

See Appendix 5.

4.5 Expenditure Controls EDC – JCRA

The Competition Regulatory Authority (Jersey) Law 2001 – Article 3– Appointment of members – states that the Authority shall consist of –

- “(a) one member appointed by the States, on the recommendation of the Committee, as Chairman of the Authority; and
- (b) two or more other members appointed by the Committee after it has consulted the member that has been appointed as Chairman.”

There is no specific mention of the number of Executives/Non-Executives which will be appointed.

The Chairman and Executive Director were not appointed as non-executive members. L. Bowbrick was appointed as a non-executive member but the number of days attended at JCRA and the nature of the work undertaken indicates that this post is now an executive post and that there are no non-executives on the Board. Therefore the ‘watchdog’ duties of a non-executive do not exist, which weakens corporate governance.

The EDC had decided prior to the audit that additional non-executives should be appointed by EDC, in consultation with the Chairman.

JCRA have recently given a set of Corporate Governance Principles to the EDD. At the time of the audit, these were in draft and the document was headed ‘Draft for Distribution at EDC Meeting 4 March 2004’. Whilst there are a number of appropriate principles identified in this document, it also states that –

- Matters of remuneration were delegated to the JCRA and the delegation was articulated in the respective contracts of employment offered to the Chairman, Executive Director and part-time Director on appointment (para. 4.1).
- Informal gatherings pre or post-Board meetings for team building, and the occasional pre-board dinner for meetings with stakeholders, constitutes an element of Corporate Governance (para. 8.2).
- The Competition Regulatory Authority (Jersey) Law 2001 – Article 10– states that the Committee may guide or direct the Authority in certain matters...
 - “(1) The Committee may, if it considers that it is desirable in the public interest to do so, give to the Authority written guidance, or general written directions, on matters relating to corporate governance, that is, relating to the system and arrangements by and under which the Authority is directed and controlled.
 - (2) Those matters may include matters relating to accountability, efficiency, and economy of

operation, of the Authority, but not matters relating directly to the performance of the Authority's licensing or regulatory functions or its functions under Article 6(2) or (4).”.

The Law indicates that, although the States cannot interfere with the setting of the licence fee, it has an obligation for matters relating to accountability, efficiency and economy of operation, i.e. the costs on which the licence is based.

At the time of the audit there had been only one joint quarterly meeting, on 3rd September 2003, at which no financial information was provided by JCRA as there was uncertainty regarding the EDC requirement. A further meeting took place on 28th April 2004. It is planned that regular meetings will take place in future.

4.6 JCRA Income

Competition Regulatory Authority (Jersey) Law 2001 – Article 13(1) states that–

“(1) The States may make a grant to the Authority from their annual income towards the expenses of the formation of the Authority and its initial expenses.”

Article 13(2) states that –

“(2) In respect of each financial year, the States may make a grant to the Authority from their annual income towards the Authority's expenses in performing any of its functions.”

On 6th August 2003, the then Chief Executive Officer of EDD wrote to the Executive Director of the JCRA. This letter attached a copy of Code of Direction No. 26 ‘Obtaining Value for Money from Grants’. The letter stated that the EDD, together with officers from the Treasury, would work with the JCRA to “draw up a robust grant scheme for 2004 within the context of Code of Directions No. 26. This will include explicit aims and objectives, performance indicators and measures and reporting requirements to the EDC.”

There have been 3 requests by EDC, for additional work relating to Car Ferries and the Fuel Farm. The second report on Car Ferries was considered by the Harbours and Airport Committee to be unsatisfactory and the invoice for £16,189 was not paid for. The costs, however, were covered from the grant given by EDC. We have been informed that the EDC was not aware of this and did not give its approval.

Funding for the Postal Regulatory set up costs for 2004, funded by the States, has been agreed at £200,000. However the funding has not yet been given as there is some debate by EDC on how that grant is to be processed. EDC wish the JCRA to invoice for the funding and identify how the funding has been spent, i.e. consider the funding as a budget although subject to Code of Direction 26 ‘Obtaining Value for Money from Grants’.

The JCRA considers it will not have sufficient funding to incur costs and then recharge. An invoice for the £200,000 has been raised by JCRA. It should be noted that JCRA identified a deficit of £37,165 in the 2003 Annual Accounts. This deficit resulted from a carry forward as a reserve into 2004 of £87,624 of the 2003 EDC grant. The action was agreed by the Auditors Ernst & Young. The £87,624 is currently being used to fund the 2004 expenditure. Since the audit a copy of a draft letter to Deputy G. Grime, a member of the EDC, from L Bowbrick has been received from the JCRA which refers to a request to discuss the projected financial situation. We have been informed that Mr. Bowbrick met with Deputy Grime on 13th October 2003 to discuss this. The Interim Chief Executive Officer of EDD wrote to the JCRA Executive Director on 5th May 2004 confirming the procedure for paying the £200,000 (maximum) funding available in 2004. This letter confirmed that payments would be made to the JCRA quarterly in advance, on production of a projection of activities to be undertaken and an estimate of the funding required covering those activities. The letter also states that the JCRA will be required to make monthly returns to EDD analysing expenditure to date against the payments made in advance.

4.7 Staff Remuneration

Staff at JCRA are not civil servants and are not subject to the same terms and conditions, although the permanent staff are contributors to the Civil Service pension scheme.

JCRA have produced a staff manual. The details of pay and conditions were compared to that of the States and the following variances identified –

- Salaries are subject to JCRA specific salary scales.
- Flexitime of up to 3 days per month for all staff is available.
- Private medical plan for all permanent staff.

5. JCRA Budget Setting Process

5.1 Budgets have been set using –

- zero-based budgets for pay based on historical levels of work in many instances, for existing staff;
- potential ‘one-off’ costs to achieve targets have been identified, i.e. consultants’ costs;
- historical costs for other non-pay costs.

5.2 The budget setting process analyses costs by –

- Telecoms
- Competition Law
- Postal
- Advice/Projects

5.3 There are no details of outputs or activity, which match the resource requirements. This is particularly relevant at a time when licence fees have been set and new regulatory work has yet to start, i.e. in April 2004. There is a hiatus in the volume of work which is required at these times. However, a Strategy Plan 2003-5 has been published on the website after consultation with, amongst others, Jersey Telecom, Policy and Resources Committee and Finance and Economics Committee. The plan has no specific details of costs relating to future plans but does identify timescales for achievement of tasks in a GANTT chart attached to the Plan.

5.4 The budget has been identified for the work to be undertaken on the set up (and ongoing) duties relating to the Competition Law, which will be funded by the States via EDC. The funding requirement is £500,000 in a full year. The pro rata calculation for 2004 start point, originally estimated at £350,000, has yet to be completed.

A basic level of information regarding this funding requirement has been issued to EDC. Again there are no clear measures of outputs or activity.

6. Reporting and Analysis of Operations

6.1 Income is received from 2 main sources –

- Grant from the States
- Licence fees from regulated undertakings.

The Telecommunications (Jersey) Law 2002 – Article 17 – Licence Fees states –

“(1) Any payment, or fee, required under this Law to be paid to the Authority in respect of a licence (including any application fee) may be fixed from time to time at such amount as is necessary to enable the Authority to recover its costs of establishment, its short-term costs, and its long-term costs (whether those costs are actual or projected or direct or apportioned) so far as the costs are referable to the performance of the functions of the Authority under this Law.”

This requires both income and expenditure to be separately identified between the two areas of work.

An in-depth audit by Ernst and Young in October 2003, at a cost of £8,500, identified that –

- only minor changes were required to the daily office cost rate, covering non-pay costs;
- timesheets to identify the category of work should be completed by all staff, on a monthly basis and the costs calculated on a spreadsheet.

As a result of the Ernst and Young review no detailed work in this area was carried out by Internal Audit.

6.2 The Competition Regulatory Authority (Jersey) Law 2001 – Article 13 states that–

“(1) The States may make a grant to the Authority from their annual income towards the expenses of the formation of the Authority and its initial expenses.”

This equates to the grant, which has been received from the EDC for Jersey Telecoms in 2002 and 2003 and the Postal grant in 2004.

“(2) In respect of each financial year, the States may make a grant to the Authority from their annual income towards the Authority’s expenses in performing any of its functions.”

6.3 A review of the States funding has identified that the JCRA is moving towards this target –

	2002	2003	2004
	£’000	£’000	£’000
States Funding – Telecoms	569	300	88
Returned to States in 2003	(200)		
Reserve carried forward to 2004		(88)	
Postal Funding ^[3]			200
Total	369	212	288

7. Budget Monitoring – JCRA

7.1 Quarterly management accounts are produced on a spreadsheet by the external accountant – MJM Accounting Services and include budget details. At the time of the audit no management accounts had been produced for the first quarter of 2004, as JCRA were waiting to finalise the Annual Accounts for 2003.

7.2 The management information is for internal JCRA use, i.e. issued to Board Members and senior staff. It

has not been issued to EDC.

8. Expenditure Controls – JCRA

8.1 A review of a sample of 27 invoices was carried out to confirm appropriate authorisation to pay. It was found that 4 invoices with a value of £13,553 had not been correctly authorised.

8.2 It was noted that few orders were raised as –

- Tenders had been obtained for all of the large transactions;
- Services were ordered over the internet e.g. flights.

Of the items where orders would be appropriate none of the invoices had been correctly matched to orders. However, there was some correspondence which could be located in some instances.

8.3 The majority of invoices were correctly coded, there were only 3 errors in the total sample taken during the audit.

8.4 The ledger (Quickbooks) is not coded by the two separate income and expenditure streams. The analysis will apparently be calculated on a spreadsheet. Since the audit the JCRA have informed us that Quickbooks has been reorganised to become an analytical ledger for 2004.

8.5 There is extensive use of the tendering process for external consultants and other significant expenditure items e.g. IT Services. A review of the services provided by the two main consultants –

- Coleago – Economic Consultancy £110,000
- Jean Sideris – Telecoms Accounting Specialist £10,000

indicated that appropriate tendering procedures are adhered to.

8.6 The bank account and other balance sheet codes had been balanced by the external accountant although not signed off as formally reviewed by L. Bowbrick.

8.7 JCRA are aware that their ordering and receipting of goods received, invoice processing and payments, required improvement. They had produced a brief operations guide which will be implemented in future. This guide requires, amongst other controls –

- all orders to be signed by an authorised signatory;
- all payment of invoices to be correctly authorised.

8.8 It should be noted that each cheque requires two signatories as well as a backing documentation review, before payment can be made.

9. EDC Controls

9.1 A draft Service Level Agreement (SLA) was produced by the EDD in October 2003 but has not yet been finalised. The JCRA have informed the Auditors (12th May 2004) that they have not seen a copy of this document.

ECONOMIC DEVELOPMENT COMMITTEE

INTERNAL AUDIT OF THE FINANCIAL CONTROLS AT THE JERSEY COMPETITION REGULATORY AUTHORITY (JCRA) AND THE CONTROLS OPERATED BY THE ECONOMIC DEVELOPMENT COMMITTEE IN RELATION TO THE PAYMENT OF A GRANT TO THE JCRA

MANAGEMENT ACTION PLAN

Key to priorities

High – Controls are weak and there is a strong likelihood that the risk will occur.

Medium – It is important that controls are strengthened in this area.

Low – The action is desirable since it will improve control and minimise risk.

ACTIONS RAISED (SEE NEXT PAGE FOR DETAILS)

RISK	NUMBER OF RECOMMENDATIONS
High	Ten (Numbers 1, 2, 3, 4, 6, 7, 8, 9, 16, 17)
Medium	Five (Numbers 5, 10, 11, 13, 14)
Low	Two (Number 12 & 15)

<u>OBSERVATION</u>	<u>RISK</u>	<u>ACTION REQUIRED</u>	<u>ORGANISATION TO ACTION</u>	<u>PRIORITY</u>	<u>TARGET DATE</u>
<p>It was agreed at a private Board Meeting on 19 June 2003 that increased remuneration on basic salary would be given, which ranged from 26% to 15%. The minutes were not signed nor dated.</p> <p>(Para 4.1)</p>					
<p>2. The Competition Regulation Authority (Jersey) Law 2001 - Article 5.2 states that when special circumstances arise as the Committee may direct other relevant payments can be made.</p> <p>Additional remuneration has been paid to the Chairman and Executive Director in 2003. The documentation supporting the work invoiced does not clearly identify when or where this work was carried out.</p>	<p>Additional unjustified remuneration could be paid to members of ICRA.</p>	<p>All potential increases in remuneration must be subject to:</p> <ul style="list-style-type: none"> • appropriate authorisation and documentation; • approval by EDC <p>The remuneration paid in 2003 should be reviewed by EDC to ensure it was appropriate.</p>	<p>EDC/ICRA</p>	<p>High</p>	<p>May 2004</p>

<u>OBSERVATION</u>	<u>RISK</u>	<u>ACTION REQUIRED</u>	<u>ORGANISATION TO ACTION</u>	<u>PRIORITY</u>	<u>TARGET DATE</u>
<p>It was claimed that verbal agreement was given by</p> <ul style="list-style-type: none"> • Deputy Dubras • Deputy Voinin • Acting Chief Officer – EDC – Swinerton <p>However as the agreement was verbal there is no documentary evidence to support this claim.</p> <p>Formal approval was given by the members for the members' remuneration at the additional private Board Meeting 19 June.</p> <p>Two non Executives Directors who are to be appointed, will have their remuneration agreed by the EDC.</p> <p>(Para 4.1)</p>					

OBSERVATION	RISK	ACTION REQUIRED	ORGANISATION TO ACTION	PRIORITY	TARGET DATE
<p>3. A review of the fee invoices supplied by the Chairman and L Boworick identified that:</p> <p>Invoices were authorised relating to L Boworick by the Executive Director. Only one paid invoice was submitted by P McNutt in 2003 which was authorised by the Executive Director and now has been paid. An invoice has recently been submitted for the remainder of 2003. For 2001 and 2002 the Chairman was paid through the JCRAs payroll and therefore there are no invoices.</p> <ul style="list-style-type: none"> • in the case of the Chairman the fee invoice did not indicate: <ul style="list-style-type: none"> • days worked • location • activity performed <p>The requirement for supporting documentation is particularly relevant when the member is:</p> <ul style="list-style-type: none"> • part time • working remotely <p>(Para 4.2)</p>	<p>Inappropriate remuneration payments could be made.</p>	<p>All future fee invoices paid to members and consultants must indicate:</p> <ul style="list-style-type: none"> • days worked • location • activity 	<p>JCRA</p>	<p>High</p>	<p>April 2004</p>

	OBSERVATION	RISK	ACTION REQUIRED	ORGANISATION TO ACTION	PRIORITY	TARGET DATE
4.	<p>The Competition Regulation Authority (Jersey) Law 2001 Article 6 states that "reasonable out of pocket or other expenses occasioned in the course of carrying out their duties may be paid if the Committee so determines"</p>	<p>Inappropriate amounts may be spent on:</p> <ul style="list-style-type: none"> meals and entertaining travel and subsistence 	<p>The EDC and JCRA need to agree on appropriate:</p> <ul style="list-style-type: none"> cost per head of lunch/dinner; levels of entertaining/ numbers of guests <p>JCRA must ensure that appropriate supporting documentation is obtained before reimbursement of any expenses takes place.</p>	EDC/JCRA	High	May 2004
4.1	<p>Meals and Entertainment. Out of a sample of 31 invoices, the Chairman, Executive Director and L. Bourbrick have been reimbursed for lunches and dinners ranging from costs of £15 to £53 per head.</p> <p>The number of guests ranged from 1 to 13. There was no documentary evidence to identify who the guests were.</p> <p>(Para 4.3)</p>					

<u>OBSERVATION</u>	<u>RISK</u>	<u>ACTION REQUIRED</u>	<u>INDIVIDUAL TO ACTION</u>	<u>PRIORITY</u>	<u>TARGET DATE</u>
<p>4.2 Travel and Subsistence. A sample of 52 invoices identified that;</p> <ul style="list-style-type: none"> • for 22 invoices reimbursement had been made without appropriate receipts. The basis of the claim was: <ul style="list-style-type: none"> • corporate credit card statements; • supplier statements <p>Insufficient details were available to confirm that appropriate reimbursement had been made.</p> <ul style="list-style-type: none"> • In the sample of 22, 5 had no supporting documentation. The value of these claims was £112. <p>(Para 4.3)</p>					

OBSERVATION	RISK	ACTION REQUIRED	INDIVIDUAL TO ACTION	PRIORITY	TARGET DATE
<p>5. It was identified that relatively high cost course and conference fees plus in some instances cost of overseas travel had been incurred by JCRA. The total cost of £24,908 in 2003 related to mainly 4 members of staff. The approval to attend courses and justification for attendance did not appear to be documented.</p> <p>(Para 4.4)</p>	<p>There is a risk that high cost inappropriate courses and conference costs could be reimbursed.</p>	<p>A formal agreement noting the justification for such courses and conferences must be maintained.</p>	<p>JCRA</p>	<p>Medium</p>	<p>May 2004</p>
<p>6. EDC understood there was a non executive Chairman and a non-Executive Director, L Bowtrick. In fact the Chairman was not appointed as a non executive and L Bowtrick, because of his increased input, is also considered an executive member.</p> <p>Therefore the 'watchdog' duties of a non executive do not exist which weakens corporate governance. It is proposed by EDC that two new non executives are appointed to the Board.</p> <p>(Para 4.5)</p>	<p>There could be a lack of restraint in the actions of the JCRA Board without the 'checks and balance' duties of the non executives.</p>	<p>To appoint two new non executive directors at the earliest opportunity. The non executive directors should be:</p> <ul style="list-style-type: none"> • remunerated at a level which ensures independence; • given due importance in the governance of JCRA. <p>EDC commenced a recruitment process for non Executive Directors, in conjunction with the Appointments Commission, in March this year. The fees will be equivalent to those received by JFSC Commissioners. We have been informed that the interview process has been agreed.</p>	<p>EDC</p>	<p>High</p>	<p>At the earliest opportunity.</p>

OBSERVATION	RISK	ACTION REQUIRED	INDIVIDUAL TO ACTION	PRIORITY	TARGET DATE
<p>7. There are no formal corporate governance principles agreed between EDC and JCRRA. JCRRA have drafted a set of Corporate Governance principles which cover many of the important areas of governance. Included in the document are the following two items:</p> <ul style="list-style-type: none"> • Matters of Members Remuneration state that these responsibilities were delegated to the JCRRA; • informal gatherings pre and post Board meetings and occasional pre Board dinner with stakeholders should continue. <p>(Para 4.5)</p>	<p>There could be a lack of accountability in the actions of the JCRRA Board if Corporate Governance rules are not fully understood and adhered to.</p>	<p>EDC and JCRRA should consider the establishment of clearly defined and formalised Corporate Governance rules. This should include the relationship and responsibilities of both organisations.</p>	<p>EDC/JCRRA</p>	<p>High</p>	<p>May 2004</p>

<u>OBSERVATION</u>	<u>RISK</u>	<u>ACTION REQUIRED</u>	<u>INDIVIDUAL TO ACTION</u>	<u>PRIORITY</u>	<u>TARGET DATE</u>
<p>8. It was planned that EDC and JCR A would meet on a quarterly basis from September 2003 to review:</p> <ul style="list-style-type: none"> • income and expenditure relating to the JCR A statutory role; • justification for the costs on which the licence fees are based. <p>At the time of the audit only one meeting has taken place, in September 2003. No financial information was provided by JCR A at the meeting. Another meeting has subsequently taken place on 28 April 2004.</p> <p>(Para 4.5)</p>	<p>Actions could take place which incur inappropriate costs for the JCR A, which are not known by the EDC. EDC cannot fulfil its statutory duty to guide and direct JCR A.</p>	<p>To commence the quarterly meetings to:</p> <ul style="list-style-type: none"> • establish the reporting format required from JCR A; • ensure EDC can carry out its statutory duties. 	<p>EDC</p>	<p>High</p>	<p>May 2004</p>

<u>OBSERVATION</u>	<u>RISK</u>	<u>ACTION REQUIRED</u>	<u>INDIVIDUAL TO ACTION</u>	<u>PRIORITY</u>	<u>TARGET DATE</u>
<p>9 JCR A grant income from the States has been agreed for 2004 at £200,000 This funding for the Postal Regulatory set up costs has not been given as there is some debate by EDC regarding the form of the grant. EDC wishes for the JCR A to invoice for the funding and identify how it was spent. JCR A considers it will not have sufficient funding to support the costs and then recharge EDC. JCR A are currently using a £87,624 brought forward reserve from 2003. The Annual Accounts identify a deficit of £37,165, which results from the £87,642 carry forward. This was agreed by the Auditors Ernst and Young. (Para 4.6)</p>	<p>There is a risk that cashflow problems could result from delays in funding.</p>	<p>JCR A should consider whether all significant adjustments to the annual accounts, which may affect EDC's understanding of the financial position should be agreed with them. The EDC and JCR A should negotiate the funding mechanism for 2004 and future years. We note that the EDD Interim Chief Executive Officer wrote to the JCR A Executive Director on 5th May 2004 setting out the proposed payment arrangements for the 2004 funding.</p>	<p>JCR A EDC/JCR A</p>	<p>High High</p>	<p>May 2004 May 2004</p>

OBSERVATION	RISK	ACTION REQUIRED	INDIVIDUAL TO ACTION	PRIORITY	TARGET DATE
<p>10. JCRA staff benefits and remuneration are different to the Civil Service pay and conditions. The JCRA staff are not civil servants although they enjoy the benefits of the pension scheme.</p> <p>The variances between the contracts are:</p> <ul style="list-style-type: none"> • generous flexitime – up to 3 days per month is given; • private medical insurance is paid for all permanent staff. <p>(Para 4.7)</p>	<p>There is a risk that the staff salaries paid by the JCRA are significantly better than those paid by other similar organisations and jurisdictions.</p>	<p>Consideration should be given by EDC and JCRA to undertaking a pay and benefits comparison between the JCRA staff and other similar organisations in other jurisdictions.</p>	<p>JCRA</p>	<p>Medium</p>	<p>May 2004</p>
<p>11. The JCRA details the resource required in the budget setting process but does not specify outputs.</p> <p>(Para 5.1 – 5.4)</p>	<p>The budgets may not reflect the resource required to achieve defined outputs.</p>	<p>Consideration should be given to matching resource to output. This would assist the EDC in its assessment of new funding requirements and the efficiency and economy of operation.</p>	<p>JCRA</p>	<p>Medium</p>	<p>June 2004</p>

OBSERVATION	RISK	ACTION REQUIRED	INDIVIDUAL TO ACTION	PRIORITY	TARGET DATE
<p>12. The analysis of funding and expenditure streams will be calculated on a spreadsheet rather than via the Quickbooks ledger. (Para 8.4)</p>	<p>The analysis of the different streams of funding and expenditure could be unnecessarily time consuming.</p>	<p>Consideration should be given to posting the easily identifiable costs to the appropriate business sector and processing the analysis of payroll direct from the information supplied by the payroll service.</p> <p>Since the audit we have been informed that Quickbooks has been reorganised to become an analytical ledger for 2004.</p>	<p>JCRA</p>	<p>Low</p>	<p>June 2004</p>
<p>13. The quarterly management accounts for the first quarter of 2004 had not been completed at the time of the audit. Therefore in the new financial year no information has been made available to the JCRA Board. The Management Information is not issued outside the Authority. (Section 7)</p>	<p>There is a risk that overspends could be incurred in the period where there are no Management accounts.</p>	<p>The management accounts should be prepared on a quarterly basis for the financial year 2004 to date. A timetable for completion each quarter should be established.</p>	<p>JCRA</p>	<p>Medium</p>	<p>May 2004</p>

OBSERVATION	RISK	ACTION REQUIRED	INDIVIDUAL TO ACTION	PRIORITY	TARGET DATE
<p>14. The authorisation of invoices identified that 4 out of a sample of 27 had not been appropriately authorised, ordering details/orders placed had not been retained/prepared in some instances.</p> <p>Procedures have been drafted by JCR A identifying the improvement to control procedures required (Para 8.1 and 8.2)</p>	<p>Invoices could be incorrectly paid, although there are two cheque signatories required plus supporting documentation.</p>	<p>Implement the new procedures.</p>	<p>JCR A</p>	<p>Medium</p>	<p>May 2004</p>
<p>15. Bank reconciliations and other Balance Sheet codes are reconciled as part of the management accounts preparation but not formally signed off as reviewed by L. Bowtrick. (Para 8.6)</p>	<p>Bank reconciliation and other control accounts may be incorrectly reconciled.</p>	<p>These reconciliations should be formally signed as reviewed.</p>	<p>JCR A</p>	<p>Low</p>	<p>May 2004</p>

<u>OBSERVATION</u>	<u>RISK</u>	<u>ACTION REQUIRED</u>	<u>INDIVIDUAL TO ACTION</u>	<u>PRIORITY</u>	<u>TARGET DATE</u>
16. No SLA had been agreed between EDC and JCRFA. The JCRFA have stated that they have not seen any draft SLA or held any discussions with EDC about this. (Para 9.1)	EDC and JCRFA have not formalised their business relationship and as a result statutory financial obligations may not be met.	The SLA needs to be formally agreed and signed off by EDC and JCRFA.	EDC	High	May 2004
17. The Service Level Agreement does not include measurable aims and objectives. (Para 9.2)	Cost/benefits may not be clearly identified.	Consideration should be given to establishing the methodology which could be used to complete a cost/benefit calculation.	EDC	High	June 2004.

Board Members - Analysis of Remuneration 2001 - 2003							
The payments below are analysed within the years in which payment was made							
Board Member	2001	Note	%	2002	Note	%	2003
			Increase			Increase	
Chairman							
1 Salary - contract (100 days pa)	46,400	1	26.46%	58,679		17.35%	68,861
2 Additional work					2		7,500
3 Additional days					3		21,600
4 Tax advice					4		1,124
	<u>46,400</u>		<u>26.46%</u>	<u>58,679</u>		<u>68.86%</u>	<u>99,085</u>
Executive Director							
1 Salary - contract	58,000		26.46%	73,349		17.01%	85,826
2 Rental Allowance	22,000		4.50%	22,990		5.15%	24,174
3 Additional work					2		7,500
4 Practice certificate	850			850	5		850
		7			7	7	
	<u>80,850</u>		<u>20.21%</u>	<u>97,189</u>		<u>21.77%</u>	<u>118,350</u>
L Bowbrick							
1 Daily rate				400		15.00%	460
2 Annual cost				20,000	6		60,000
Notes							
1 Letter accompanying contract indicates that Chairman salary set at 80% of Executive Director's. Letter dated 23 July 2001 and signed by Deputy Dubras							
2 Invoice for additional competition law duties for JCRA whilst in employ of JCRA. Invoice dated 20 August 2003							
3 £21,600 for 27 extra days. Work during 2001/2. Invoice dated August 2003, at a rate of £800 per day							
4 Tax advice for Chairman by Ernst & Young.							
5 £850 is an estimated figure supplied by L Bowbrick							
6 Estimated 2002 & 2003 costs provided by L Bowbrick							
7 The Executive Director's salary does not include the costs of flights which has been agreed in the Contract of Employment.							

JCRA					
Meals and Entertainment Analysis					
Name	Supplier	£	Location	Date	Other Information
Office	Quadra Limited - The Museum	121.00	Jersey	13/11/2003	Buffet in meeting room 11
Cash	Thomas Cook Foreign Exchan	198.02	Jersey	01/07/2003	Pounds converted to Euros
		319.02			
Chairman	Le Chambertin	77.95	Jersey	18/02/2003	Meal for 2 £39ph
Chairman	Eden Restaurant	72.53	Dublin	11/06/2003	Meal for 2 £ 36ph
Chairman	Casa Madeira	259.80	Jersey	19/05/2003	No other information
Chairman	Institute of Directors	700.00	Jersey	26/09/2003	10 people to the IOD Centenary Dinner
Chairman	Le Chambertin	65.20	* Jersey	26/03/2003	Meal for 2 £33ph
Chairman	Bistro Central	92.57	* Jersey	04/04/2003	Lunch for 3 £31ph
Chairman	Old Court Inn	107.25	Jersey	19/02/2003	credit card receipt only
		1,375.30			
Executive Director	Le Chambertin	197.20	* Jersey	23/01/2003	Meal for 5 £39ph
Executive Director	Old Court Inn	17.65	Jersey	23/01/2003	Lunch for 2 £9ph
Executive Director	Old Court Inn	689.54	* Jersey	04/12/2003	Drinks and Meal for 14 £49ph
Executive Director	Le Chambertin	229.90	* Jersey	03/12/2003	Meal for 6 £38ph
Executive Director	Auarnes De Bruxelles	117.06	Brussels	15/05/2003	Meal for 3 £39ph
Executive Director	La Brace	67.95	Brussels	14/05/2003	?
Executive Director	Restaurant Vincent	88.60	Brussels	13/05/2003	Meal for 2 £44ph
Executive Director	Takesushi	37.27	Brussels	16/05/2003	Meal for 2 £18ph
Executive Director	La Capannina	106.59	Jersey	05/06/2003	Meal for 2 £53ph
Executive Director	No 44 The Indian Restaurant	52.35	Guernsey	12/06/2003	Meal for 2 £ 26ph
Executive Director	Restaurant at 116 (IoD)	136.50	London	22/09/2003	Meal for 3 £45ph
Executive Director	Le Chambertin	39.10	Jersey	19/09/2003	Meal for 2 £20ph
Executive Director	Bistro Central	317.30	Jersey	02/09/2003	Meal for 6 £53ph
Executive Director	Hotel de France	279.00	Jersey	14/11/2003	Drinks
Executive Director	Le Chambertin	137.90	Jersey	06/11/2003	Meal for 4 £35ph
Executive Director	Le Chambertin	122.60	Jersey	03/04/2003	Meal for 3 £40ph
Executive Director	Old Court Inn	29.45	* Jersey	26/03/2003	Lunch for 2 £15ph
Executive Director	Bistro Central	78.10	Jersey	18/02/2003	Lunch for 3 £26ph
Executive Director	La Vigna	56.80	Jersey	18/03/2003	Meal
Executive Director	Pierino Pasta & Piza	16.20	Jersey	18/03/2003	Lunch
		2,817.06			
L Bowbrick	City Restaurant	151.50	Jersey	31/01/2003	Meal for 6 £25ph
L Bowbrick	La Taverne	75.10	Jersey	15/04/2003	Lunch for CE, FD & consultant re competition
		226.60			
Total	Sample Size - 31	4,737.98			

* At meeting 12 May 2004, JCRA Chairman provided a sample of Activity Schedules, the * indicate events where details could be identified from the sample.

JCRA					
Hotel Accommodation Analysis					
Name	Supplier	£	Location	Date	Other Information
Chairman	Fitzpatrick Grand Central	557.67	New York	26/10/2003	4 nights at £139 per night
Chairman	Hotel De France	559.85	Jersey	11/11/2003	5 nights 2 guests
		1,117.52			
Executive Director	Hotel Euroflat	272.06	Brussels	09/07/2003	2 nights at £136 per night
Executive Director	Hotel Central Saint Germain	703.35	Paris	10/01/2003	8 nights at £88 per night
		975.41			
L Bowbrick	Tavistock Hotel	61.00	London	11/04/2003	1 night
		61.00			
G Marett	Hotel Vendome	218.52	Brussels	21/10/2003	2 nights at £109 per night
		218.52			
Total	Sample Size - 6	2,372.45			

JICRA					
Travel & Subsistence					
Name	Supplier	£	Location	Date	Other Information
Chairman	Forman DOr	15.00	Jersey	20/02/2003	2 breakfast
Chairman	Corporate	222.56	Dublin - Jersey via Gatwick	16/05/2003	Return Flight
Chairman	Corporate	271.34	Dublin - London	23/07/2003	Return Flight
Chairman	Corporate	711.42	Flights	September 2003	6 flights Chairman, 1 flight F Flaherty consultant - paid on supplier statement
Chairman	Corporate	344.30	2 flights	October 03	2 flights for Chairman - Paid on supplier statement
Chairman	Corporate	620.62	Flights	Jan & Feb 04	3 flights for Chairman - paid on supplier statement
Chairman	Corporate	774.84	Flights	March & April 03	3 flights for Chairman - paid on supplier statement
Chairman	Corporate	443.81	Flights	Nov & Dec	2 flights for Chairman - paid on supplier statement
		4,408.84			
Executive Director	London underground	19.38	London	19/02/2003	Tube journey
Executive Director	Expenses, Taxi	26.00	JS Trip	30/02/2002	Receipt included
Executive Director	Expenses, Tips	11.00	JS Trip	30/02/2002	No receipt, information from expenses claim
Executive Director	Expenses, Dinner	41.94	JS Trip	30/02/2002	No receipt, information from expenses claim
Executive Director	Expenses, currency charge	2.99	JS Trip	30/02/2002	Receipt included
Executive Director	Expenses, Office & misc papers	3.00	JS Trip	30/02/2002	No receipt, information from expenses claim
Executive Director	Coffee	4.70	London	30/02/2002	Receipt included
Executive Director	Taxi	96.00	London	31/02/2003	Receipt included
Executive Director	Unknown	47.00	Unknown	Unknown	No information on expense form or receipts attached
Executive Director	Unknown	7.70	Unknown	Unknown	No receipt & self authorised
Executive Director	EA	150.50	Jersey - Gatwick	23/05/2003	Club class ticket
Executive Director	EA	205.00	Unknown	April/May 03	2 flights no receipts, information from corporate credit card
Executive Director	Le Branche d'Olivier Restaurant	168.82	Brussels	03/07/2003	Meal for 3 @ 56 per head
Executive Director	Eurostar	205.00	London - Brussels	23/06/2003	Return train ticket
Executive Director	EA	78.80	Gatwick - Jersey	03/07/2003	Return Flight
Executive Director	flybe	32.10	Southampton - Jersey	23/07/2003	One way ticket
Executive Director	EA	78.80	Southampton - Jersey	13/07/2003	Return Flight
Executive Director	EA	140.80	Unknown	Unknown	Flight - no receipt - detail on corporate credit card statement
Executive Director	Espresso.com	251.30	London	Unknown	Cash hire no receipt - detail on corporate credit card statement
Executive Director	Thomas Cook	199.28	Cash	03/02/2003	Cash pounds to Swiss Francs
Executive Director	Skyline Travel (BA)	287.20	Flight to Geneva	02/02/2003	Return Flight
Executive Director	EA	95.15	Flight	30/09/2003	Flight - no receipt - detail on corporate credit card statement
Executive Director	EA	498.20	2 flights	November 03	2 flights - no receipt - detail on corporate credit card statement
Executive Director	London underground	14.70	London	30/03/2003	Tube journey
Executive Director	Eurostar	310.00	Trains	Jan & Feb 03	2 train journeys no receipt - detail on corporate credit card statement
Executive Director	EA	73.50	Jersey - Gatwick	13/02/2003	Return Flight
		3,862.43			
L Dowrick	flybe	82.00	Jersey - Gatwick	24/07/2003	Return Flight
L Dowrick	Virgin Trains	63.80	UK	30/07/2003	Train journey
L Dowrick	EA	183.80	Jersey - Gatwick	30/07/2003	Return Flight
L Dowrick	flybe	153.80	Jersey - Gatwick	22/09/2003	Return Flight
L Dowrick	Gatwick Express / National Express	23.00	Travel	22/09/2003	Train journey
		508.70			
G Marek	flybe	207.60	Jersey - Gatwick	02/06/2003	2 return tickets
G Marek	flybe	127.80	Jersey - Gatwick	23/09/2003	Return Flight
G Marek	WLM	122.20	Guernsey - London	16/02/2003	Flight
G Marek	Gatwick Express / Virgin Trains	27.10	Trains	23/09/2003	Train journey
G Marek	EA	128.30	Jersey - Brussels	11/04/2003	Return Flight
		713.20			
Helen Murphy	EA	243.80	Jersey - Edinburgh	17/02/2003	Personal flights - cheque repayment attached
Office	Yellow Cabs	128.00	Jersey	01/02/2003	Taxi services paid on statement
Office	Yellow Cabs	187.00	Jersey	December 03	Taxi fares - booking document attached - no evidence of receipt claim
		570.00			
P Handbar	EA	128.30	Jersey - Gatwick	17/06/2003	Return Flight
P Handbar	flybe	166.70	Jersey - Cbr	19/02/2003	Return Flight
P Handbar	EA	30.00	Flight	16/02/2003	Flight - no receipt - detail on corporate credit card statement
P Handbar	Certz	74.00	St Malo	07/07/2003	Cash hire for week
P Handbar	A. Pizulo Mondo Restaurant	73.42	Brussels	13/06/2003	Meal for 2 @ 43.7 per head
		494.42			
Total	Sample Size - 52	10,557.64			
Key					
No Receipt from Supplier (statement detail only)		6,096.80			
No Receipt, expense claim form only		112.04			

JCRA					
Conference & Course Fees Analysis					
Name	Supplier	£	Location	Date	Other Information
Executive Director	Informa	1,148.29	Brussels	30/01/2003	2 day course The use of economics in competition law
Executive Director	Informa	1,643.83	?	23/12/2002	3 day course introduction to modern telecoms
Executive Director	Oxera	816.63	UK	10/06/2003	Advanced competition Economics March 2003
		3,608.75			
L Bowbrick	Informa	2,467.50	UK	23/05/2003	5 day course on competition law
		2,467.50			
Graeme Marett	MDP	3,125.00	Jersey	03/09/2003	Distance learning
Graeme Marett	Informa	1,329.79	Brussels	11/04/2003	EU Telecommunication law
Graeme Marett	Informa	1,169.13	London	16/01/2003	2 day course on Telecoms (Intelligent Networks & Customised applications for mobile networks
		5,623.92			
Paul Hamilton	MDP	3,125.00	Jersey	13/01/2003	Distance learning
		3,125.00			
Total	Sample Size - 8	14,825.17			

[1] As we explain later in this report, Mr. Bowbrick's time commitment to the JCRA has exceeded that normally expected of a non-Executive Director. We have confirmed as appropriate the EDC's decision to appoint 2 new non-Executive Directors as a priority (this decision had been taken prior to the audit). (See paragraph 4.5 and recommendation number 6 in the Management Action Plan.)

[2] Neither the Executive Director nor Mr. Bowbrick was present at this meeting.

[3] The funding for Postal work has not yet been released to the JCRA – see recommendation 9 in the Management Action Plan.