



COMPTROLLER &  
AUDITOR GENERAL

**REPORT BY THE COMPTROLLER & AUDITOR GENERAL  
OF AN INVESTIGATION**

**2006 BATTLE OF FLOWERS**

**OCTOBER 2006**

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**SECTION 1 ~ INTRODUCTION**

1. This is the report of an investigation of circumstances surrounding the 2006 Battle of Flowers and of governance arrangements within the Jersey Battle of Flowers Association ('the Association'). The terms of reference for this investigation are set out in Appendix 1.
2. For many people, the 2006 Battle of Flowers was a success. Many have told me that the floats were remarkable. Others have told me that the carnival atmosphere was as good if not better than Battle has achieved before. Unfortunately, the Battle also gave rise to public concern.
3. Firstly, after several years when no celebrities were invited to attend Battle, it was decided for the 2006 Battle that a celebrity should be invited in the hope that this would attract a larger audience. In the event, the invited celebrities were regarded by many commentators as inappropriate to the true character of the parade. Secondly, an attempt was made to sell corporate hospitality tickets and thus to increase the Battle's income. In the event, this attempt led to embarrassment for the Association as many tickets were not sold, the stand and marquee were half-empty, and it is likely that a serious loss has been suffered. Concern over these two matters has led to concern over the way in which Battle is managed.
4. This is a serious matter for a number of reasons. For many people throughout the world, the name of the Island is inextricably linked with Battle. In part, this is a result of the way in which the Island has marketed itself as a tourist destination. But it is also a result of the close link between the Island's community and Battle. The floats which are the focus of Battle are the product of many hours of voluntary community activity. They are therefore not simply splendid spectacles but also symbols of the importance of community action for the Island. Questions about the competence of the Association to manage Battle successfully and to assure its future are bound to be taken seriously.
5. My investigation began with a close examination of all of the documents relevant to this year's Battle and an examination of records of the management of Battle in recent years. I have also undertaken a series of interviews with those who have been involved in the 2006 Battle in some capacity or other. The names of the interviewees with whom I have spoken are listed in Appendix 2. I am grateful to all of the people who have assisted me in this investigation: particularly those involved as float builders who have helped me to understand something of the importance of Battle to the Island's community.
6. This report sets out the outcome of my investigation in the following sections:

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- (1) a chronology of the events within the Association leading to this year's Battle (section 3 of the report). The purpose of preparing this material was to provide a basis for an analysis of the factors which led to disappointment and embarrassment.
  - (2) an analysis of the factors which contributed to failure (section 4 of the report).
  - (3) an examination of the strengths and weaknesses of corporate practices within the Association (section 5 of the report).
  - (4) an examination of the strengths and weaknesses of the internal financial controls within the Association (section 6 of the report).
  - (5) an examination of certain aspects of the relationship between the Association and the Economic Development Department ('the Department') (section 7 of the report).
7. But first, I will set out in section 2 a summary of my findings and recommendations.

## SECTION 2 ~ SUMMARY OF FINDINGS AND RECOMMENDATIONS

### Findings

8. As I have already indicated, many people have told me that the 2006 Battle was a success in terms of the quality of the floats and the atmosphere that was created. These achievements are the result of the committed work of the volunteers who build the floats and of the members of the Association's Council who plan and manage the parade itself.
9. However, from the chronology in section 3 of this report it is clear that in some respects the outcome of the Association's work in preparing for the 2006 Battle was indeed a disappointment:
  - (1) in the eyes of some members of Council, the initiative to improve the marketing of the Battle did not achieve the desired results;
  - (2) the choice of a celebrity to attend the parade was made notwithstanding the misgivings of some members of Council and has led to criticism and complaint,
  - (3) the attempt to make corporate hospitality facilities available led to embarrassment for the Council and a material loss for the Association rather than the surplus that was anticipated; and
  - (4) the Association may have suffered a material loss partly through the failure of corporate hospitality income to materialise and partly through carelessly incurred liabilities. This loss will have been incurred notwithstanding the increased grant made available by the Department.
10. In my view, these disappointments can be attributed to a number of factors:
  - (1) *Factor 1:* For some tasks, the Association relied inappropriately upon people who did not have the necessary skills and experience.
  - (2) *Factor 2:* The Council and its Officers continued to rely upon individuals even when there was evidence that their reliance may have been misplaced.
  - (3) *Factor 3:* Weaknesses in the Association's corporate governance practices and its internal financial controls magnified the effects of these misjudgements.
  - (4) *Factor 4:* These weaknesses were in turn exacerbated by personal animosity between some members of the Council.

- (5) *Factor 5*: The Minister for Economic Development ('the Minister') failed to ensure that the terms on which he offered further grants had been discussed with the Department's officials and were then properly recorded, defined and, most importantly, applied. In addition, the Department did not make good this failure to record and define the terms of the Minister's offers. This contributed to the Council's understanding that by accepting the grants it was obliged to take certain initiatives.

### **Recommendations**

11. On the basis of my investigation, it seems possible a number of changes to the structure and management of the Association would limit the risk of a recurrence of this year's problems and thus of further detraction from the achievements of the many volunteers who contribute to the event. In this spirit, I make the following recommendations:

- (1) *Recommendation 1*: As soon as possible, the business of organising and managing the parade should be transferred to The Jersey Battle of Flowers Limited, the company owned by the Association.
- (2) *Recommendation 2*: The board of the limited company should be small and consist of people with the skills necessary to manage the parade's business affairs.
- (3) *Recommendation 3*: The Chairman of the limited company should be responsible for ensuring that the board's membership includes all of the key skills necessary for effective management.
- (4) *Recommendation 4*: The Chairman of the Association should be responsible for ensuring that the key offices of the Association are filled and that necessary skills are represented on the Council.
- (5) *Recommendation 5*: Wherever possible, the Battle of Flowers organisation (whether in the form of the Association or of the limited company) should use sub-contracted services.
- (6) *Recommendation 6*: In principle, the States should not make further grants available to the Association until the Association has implemented reforms intended to achieve the recommendations set out in this report.
- (7) *Recommendation 7*: The normal arrangements concerning offering and making grants should apply to Ministers as well as departmental officials.

### SECTION 3 ~ 2006 BATTLE OF FLOWERS

#### **Introduction**

12. In the first section of this report, I have listed the concerns which have arisen concerning the management of the 2006 Battle. To analyse the circumstances which gave rise to these concerns, I started by trying to establish what took place within the Association. In this section of the report, I will set out a chronology of the Association's preparation of the 2006 Battle.
13. The chronology set out below is based upon my interviews with those people who were most closely involved and an examination of the relevant documents. It concentrates on exchanges that are relevant to the issues with which this report is concerned and thus, for example, does not mention all Council meetings or all of the matters discussed at a meeting. In a number of cases, there are conflicts between people's memories and documents. I have indicated the existence and nature of any conflicts.

#### **Chronology**

##### *9 November 2005: Annual General Meeting*

14. At the Association's Annual General Meeting, Mr Gavin Roberts was elected Treasurer.<sup>1</sup> Mr Bob Pallot remained in office as Chairman as did Mr John Farley as President. Mr Mark Leonard, Mrs F Roberts and Mrs M Fitzgerald were elected to serve as members of Council. In addition, the Council for the following year included: Dr Steve Cooke, Mr Martyn Farley (co-opted), and Mrs Donna Le Marrec (co-opted).

##### *5 January 2006: Council meeting*

15. At this meeting, the Council agreed that the Treasurer should be added to the bank mandate as a cheque signatory.<sup>2</sup>

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<sup>1</sup> Mr Roberts recalls that after his election as Treasurer, he visited the Association's bank and auditors to discuss the Association's finances and the state of its internal controls. He also recalls that after these meetings he made various suggestions to Mr Pallot, the Chairman of the Association, and Mr Avery, the Executive Officer, for improvements in banking arrangements and controls. Mr Pallot and Mr Avery deny that any such suggestions were made to them.

<sup>2</sup> The significance of this is that the Treasurer had not already been added to the bank mandate. A decision of the Council was not strictly necessary since the constitution of the Association provides that he should be a signatory. In the event, it is clear from correspondence with NatWest Bank in May 2006 and then from events in mid August 2006 that Mr Roberts' name was not properly notified to the Bank.

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*19 January 2006: Council meeting*

16. Following the practice of previous years, the Treasurer presented to the Council a budget for the 2006 Battle. The budget showed a deficit of £21,150 (as the balance of estimated expenditure amounting to £361,150 less estimated income of £340,000) which continued the trend of declining surpluses.<sup>3</sup> It was agreed that an approach should be made to the Economic Development Department ('the Department') for further financial assistance.

*2 February 2006(afternoon): Meeting with Senator Ozouf*

17. This meeting was attended by Mr Pallot, Mr Avery, Mr M Farley and Mrs Fitzgerald on behalf of the Association. Senator Ozouf, Economic Development Minister, Mr de Carteret, the Department's Director of Tourism and Marketing, and Mrs Le Marrec, the Department's Business Development Manager, attended on behalf of the Department. A number of other parties were also represented (eg Jersey Arts Centre). After the Association's financial position has been explained, Senator Ozouf made it clear that additional funds might be made available and invited the Association to put forward its proposals<sup>4</sup>.

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I understand that on the day after this Council meeting, Mr Avery visited the bank and left a completed mandate form which both added Mr Roberts' name and deleted the name of Mr Ian Le Gallais who had ceased to be Vice Chairman at the Annual General Meeting. To ensure that the new mandate was acceptable to the bank, it was necessary for Mr Roberts to provide proof of his identity. Some delay occurred before he did this. As it happens, the mandate form had been incorrectly completed with the result that the bank could not accept the Association's instructions until a correctly completed mandate form had been submitted in spite of various reminders. This was not done until mid August 2006.

I understand that Mr Pallot, the Association's Chairman, was not aware of the uncertainty over the mandate until Mr Roberts raised it in a Council meeting on 3 August 2006.

<sup>3</sup> This followed a surplus in the 2005 accounts of £12,986 and in the 2004 accounts of £55,860.

<sup>4</sup> When he became Economic Development Minister, Senator Ozouf decided to adopt a policy of developing tourism by supporting a series of regular public events of which the Battle of Flowers would be one. He secured the support of the Council of Ministers for this policy. The suggestion that further funds might be available to the Battle was made in furtherance of this policy and represented a divergence from the policy followed by the Committee that previously had been responsible.

The indication that additional funds might be made available to the Association was given in the knowledge that the Department's officials did not support this approach. In previous years, grants had been made available to the Association on terms set out in agreements which provided that the Association should adopt 'robust corporate governance principles'. The Department was aware that in certain respects such principles had not been adopted.

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*2 February 2006 (evening): Council meeting*

18. The Council discussed a number of ideas for improvement of the 2006 Battle including the acquisition of new arches at each end of the Battle arena, inclusion of more carnival features in the parade and the possibility of a move towards a 'free' parade.

*16 February 2006 (afternoon at 1600 hours): Meeting with Senator Ozouf*

19. This meeting was attended by substantially the same group of people as had attended the meeting on 2 February 2006. Senator Ozouf asked the Association's representatives whether attendance at Battle could be increased if more money was available to the Association. Mr Pallot and Mrs Fitzgerald said that this should be possible. They suggested that a sum of £50,000 would be valuable to which Senator Ozouf responded by tabling an offer of a further grant of £50,000 in addition to the 'normal' grant of £95,000.<sup>5</sup> Senator Ozouf also suggested that a further amount (up to £45,000 to match commercial sponsorship on a pound for pound basis) might be made available although he asked that this offer should not be made public.<sup>6</sup> He also suggested that the Association should consider establishing a committee to manage the expenditure of the additional funds and that it should consider including external members in this committee.<sup>7</sup>

20. At the end of this meeting, the Association was invited to put forward its proposals for the use to which these additional funds would be put.

*16 February 2006 (evening): Council meeting*

21. Mr Pallot and Mr Avery reported the substance of their meeting with Senator Ozouf and the Council then discussed how the further funds might be applied. It was estimated that the additional grant of £50,000 could be applied to:

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<sup>5</sup> For some years, the Department had made annual grants to the Association of £95,000. In some years, the Department had also underwritten the Association's losses and small sums had been paid in addition to the annual grant of £95,000. In addition to these amounts, in the past the States has agreed a grant from the Tourism Development Fund to finance the acquisition of crowd barriers and portable toilets and had funded the acquisition of the Association's property by advancing a loan.

<sup>6</sup> I understand that Senator Ozouf made this suggestion out of concern for the possible reactions of commercial sponsors.

<sup>7</sup> I understand that in making this suggestion Senator Ozouf intended to take account of the weaknesses in the Association's corporate governance practices.



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- (1) Improvements to the carnival aspects of the parade: £25,000.
- (2) New arena arches and decorations: £10,000.
- (3) Improvements to the pyrotechnic display: £5,000.
- (4) Additional marketing assistance: £10,000.

22. As for the further sum of £45,000, the following possible uses were canvassed: the creation of a new website; further enhancements to the arena; the re-introduction of a town parade; the re-introduction of Miss Battle's travel to twinned events; increases in the guaranteed payments to exhibitors; and undertaking a feasibility study for a free parade.

23. It was agreed that these thoughts would be put to Senator Ozouf and that a further meeting would be sought for 24 February 2006.

*24 February 2006: Letter to the Association from Mr de Carteret*

24. Following a letter from the Association setting out proposals for use of the proposed additional funds, The Economic Development Department cancelled the planned meeting apparently because of disappointment at the quality of the Association's response. A letter was sent to the Association regretting that the positive tone of the two recent meetings did not appear to be reflected in the Association's presentation and clarifying the Department's expectations and suggesting that the Department would welcome proposals for development of the carnival aspects of Battle and improvement of the marketing of Battle. The letter also suggested that it might be helpful to establish a small group to take further these issues.

*2 March 2006: Council meeting*

25. The minutes record that Mr John Farley, the Association's President, asked what was the state of conversations with the Department. It was reported that there had been no movement.

*23 March 2006: Council meeting*

26. By this meeting, agreement appears to have been reached with the Department. It is agreed by all of the parties that the further funds were for certain purposes: the arrangement of marketing assistance for the Association, improvement of the carnival aspects of the 2006 Battle and the attendance of a celebrity at the Battle (to be an attraction to the public to attend)<sup>8</sup>. It is also

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<sup>8</sup> There does not appear to be any formal document regarding the provision of further funds. The conditions mentioned above are noted in the Council's minutes as are Mrs Le Marrec's oral confirmations.

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apparent that, as proposed in Mr de Carteret's letter, a small group had been formed to deal with these matters.<sup>9</sup>

27. The minutes record that the Council discussed the steps that had been taken to deal with these three matters:

- (1) Marketing/public relations assistance: It was reported that bids had been invited from four companies with a view to the appointment of consultants to the Association.<sup>10</sup>
- (2) Corporate sponsorship: Mr Martyn Farley, a co-opted member of Council, reported that there had been contact with at least one potential corporate sponsor for Battle. Mr Farley suggested that it would be helpful if the Department could announce its decision to provide additional financial support to Battle as this would encourage commercial interest in Battle.
- (3) Celebrities: Council discussed the names of celebrities at some length. It was reported that Mr Avery had spoken to an island impresario who had suggested that Bradley Walsh might be available at a fee of the order of £25,000 per day. Mr Roberts said that he had spoken to his contacts in London who had suggested names that would be as attractive as those suggested by Mr Avery and possibly less expensive as it was proposed to invite them in return for an 'expenses paid holiday' in the Island.<sup>11</sup>

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<sup>9</sup> I have not been able to trace any terms of reference for this sub-committee whose members appear to have included Mr Pallot, Mr Roberts, Mrs Le Marrec, Dr Cooke and Mr Avery.

<sup>10</sup> This had been done on 14 March 2006 by sending letters to the companies concerned. These brief letters did not specify the nature of the services that the Association was seeking (as would be normal commercial practice) and merely invited the four companies to submit presentations on the services they could provide. The four invited companies included MediaMasters, a business associated with Mr Martyn Farley, a member of Council. In view of the poor briefing, the presentations submitted by the applicant firms were inconsistent in their approach and depth. In particular, Mr Roberts recalls that the submission made by Mr Martyn Farley's company (MediaMasters) was excessively brief and did little more than indicate what the company's fee would be. Mr Roberts pointed this out to Mr Martyn Farley to whom he gave a copy of at least one of the other submissions.

Mr Farley has told me that his company submitted an 'objective and professional tender in the normal way'.

<sup>11</sup> There appears to have been a disagreement between Mr Avery and Mr Roberts who recalled that Mr Pallot had invited him to deal with finding a celebrity to attend the Battle and was thus discommoded by discovering that Mr Avery had begun to deal with this matter. The outcome of this disagreement was that Mr Roberts was left to deal with the matter. I understand that he had begun to deal with this by making various contacts in London. These included Mr Adrian Tracey of Upfront Television Limited ('Upfront') of London, a company which books celebrity artists for corporate and media events. These contacts also included Celebrity Group with whom Mr Roberts discussed the possibility that celebrities might be contracted at a more limited cost on a 'put you up basis': ie the Association would in effect be paying for the celebrity to

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*4 May 2006: Council meeting*

28. The following reports were made at this meeting of Council:

- (1) Marketing consultants: Orchid Communications had been appointed to provide marketing consultancy support to the Association.<sup>12</sup> Contracts were being agreed. It was also agreed that all members of Council should have access to Orchid.
- (2) Corporate sponsors: Negotiations with possible corporate sponsors were continuing.
- (3) Corporate hospitality: Estimates were awaited for a 300 seat covered grandstand for corporate hospitality purposes.
- (4) Celebrities: Mr Roberts reported that discussions were continuing and mentioned one more possible name.

*18 May 2006: Council meeting*

29. The following reports were made to this meeting of Council:

- (1) Celebrities: No celebrity had been booked. The names of a number of sportsmen were discussed in addition to those mentioned at previous meetings.
- (2) Corporate sponsors: Three possible sponsors were discussed with a view to raising the amount of £45,000 needed to match the funds offered by the Department.
- (3) Corporate hospitality: A quotation had been received from the Association's normal supplier for a stand which would not be covered since the request had been made too late. It was proposed that there should be three 'grades' of corporate hospitality offered: 'Gold', 'Silver' and 'Bronze'. The names of possible caterers were canvassed. It was reported that 85 tickets had been sold.<sup>13</sup>

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have a holiday in the Island. Mr Roberts also contacted Eminence Leisure Limited ('Eminence'), who introduced the celebrities who were eventually to attend the 2006 Battle.

I understand that, at an early stage, Mr Roberts told Council that although it might be possible to make early arrangements for celebrities to attend Battle, it might also be possible to make appropriate arrangements later: just before Battle. Actors involved in 'soap' programmes do not get much warning of schedules and so are not able to book their appearances in advance. The result was that the failure to make an early booking was not of concern to the Council.

<sup>12</sup> The appointment appears to have been made by the sub-committee on the basis of the firms' written submissions. Mr Pallot and Mr Avery met the applicant firms. The whole sub-committee did not.

<sup>13</sup> Although at one time the Association had regularly organised corporate hospitality facilities, this practice had fallen away in recent years. It was proposed that in 2006 Lower Park should be used for this

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*30 May 2006: Council meeting*

30. At this meeting of Council the following reports were made:

- (1) Celebrities: No appointment had been made. More names of possible celebrities were canvassed with Council.
- (2) Mr Martyn Farley had met a prospective corporate sponsor and was putting together a presentation.
- (3) Corporate hospitality: Meetings had been held with the two possible caterers and a choice had been made between them. Mr Roberts reported that it was proposed to increase the seating to 450 (from 300) as there was confidence that all of the tickets could be sold.

*15 June 2006: Council meeting*

31. At this meeting of Council the following reports were received:

- (1) Corporate hospitality: The larger stand for corporate hospitality purposes had been arranged. Mr Martyn Farley had spoken to representatives of the Chamber of Commerce about further corporate support for the corporate hospitality arrangements.
- (2) Corporate sponsors: Mr Martyn Farley reported that presentations had been made to two possible sponsors.
- (3) Carnival: A number of local acts had been hired to improve the carnival atmosphere of the parade.

*29 June 2006: Council meeting*

32. The following reports were made:

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purpose (space that in 2005 had been used by the Classic Car Club). Mr Leonard, a member of Council, originally accepted the responsibility for this project but withdrew because of pressures on his time and Mr Roberts took his place.

The proposed grades of corporate hospitality were subsequently dropped in favour of a single marquee. As far as corporate hospitality ticket sales are concerned, Mr Roberts told me that at some point he decided that he would be personally responsible for their sale tickets (ie the Association's office would not deal with these sales). Thus the office had no knowledge of sales that had been made. Reports of the number of such ticket sales were made by Mr Roberts.

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- (1) Corporate sponsors: One of the possible sponsors to which presentations had been made had decided not to become involved but was thought to be interested in supporting the 2007 Battle. There had been no reaction from the other possible sponsor.
- (2) Celebrities: Names of celebrities who might be available to be present at Battle were discussed.

33. It was reported that the Association would send invoices to the Department for the further amounts that had been agreed.<sup>14</sup>

*6 July 2006: Department's purchase orders*

34. The Department created two purchase orders for the additional payments to the Association. They were endorsed in manuscript by Mr de Carteret as follows:

*"Order 31255-OP: £50,000: Agreed funding for Carnival (30,000) & outsourced on-island marketing support (Orchid £12k) + Battle Bee initiative & 'Goody bag' (£8k).*

*Order 31256-OP: £45,000: Additional increase agreed by Senator Ozouf for a Celebrity + new arches to arena."*

*6 July 2006: Council meeting*

35. This meeting received a number of reports:

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<sup>14</sup> The amounts involved were £50,000 and £45,000. In other words, Senator Ozouf had agreed that the further payment of £45,000 should be made notwithstanding that the Association had not been able to raise a matching amount by way of corporate sponsorship.

I understand that Senator Ozouf made this decision without seeking advice from the Department. As the Department had no provision for this payment in its budget, it was eventually made from the Tourism Development Fund ('the Fund'). I understand that the proposal to make a payment from this Fund was discussed informally at or in the margins of a meeting of the Fund Advisory Panel on 30 June 2006 and that the discussion of this subject indicated that the Panel would be unlikely to support the proposal for this payment. This discussion is not recorded in the minutes of the Panel's meeting. However the minutes do record a separate discussion of a proposal that the Fund should pay £30,000 for a new roof for the Association's headquarters building. This proposal was rejected on the grounds that it would not generate new tourism business.

Approval for the payment of £45,000 was eventually given retrospectively by Senator Ozouf in the form of a Ministerial Decision dated 27 September 2006 (ie some weeks after the commencement of the investigation that led to this report).

The significance of the report that the Association would submit invoices to the Department is that it appears to have been agreed that there would be no additional agreement between the Department and the Association. Senator Ozouf has suggested to me that the existing agreement between the Department and the Association applied equally to the additional payment. What was missing, of course, was a definition of the purposes for the payment and of any conditions applying to it.

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- (1) Celebrities: The minutes record that another conversation took place concerning various celebrities who might be invited. These included the names of various sportsmen including that of Mr Ian Wright. No decision was made.
- (2) Arena: Mrs Le Marrec reported on arrangements for painting and improving the arena arches.
- (3) Corporate hospitality: Mr Roberts reported that he believed that 175 corporate hospitality tickets had been sold and that some companies would be distributing gifts at the lunch. He expected that a substantial number of additional tickets would be sold by the end of the following week (i.e. by 15 July).
- (4) Public relations: Mr Pallot had met Senator Ozouf to report on the current situation and the unhappiness within the Council at the service being provided to the Association. Senator Ozouf had told Mr Pallot that he would judge the success of the Battle of Flowers parade by the numbers who turn out to watch the parade. Mr Pallot had subsequently met Orchid Communications to ask them to redirect their efforts towards encouraging ticket sales.
- (7) Exhibits Committee: There was no report from Mrs Roberts and it was agreed that the Executive Officer would meet Kathy Gill, the secretary of the sub-committee, to ensure that appropriate progress was being made.
- (7) Programmes: The results of tendering for the production of programmes for the parade were reported.<sup>15</sup>

*Thursday, 13 July 2006: Council meeting*

36. The following reports were made:

- (1) Celebrities: Mr Roberts reported that he had made an offer for Mr Wright to attend the parade at a fee of approximately £45,000. It was agreed that this proposal together with other quotes would be passed to Senator Ozouf for his comment and advice. No decision on accepting the Mr Wright proposal was made: the decision was deferred until the next

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<sup>15</sup> I understand that it was agreed that Mr Martyn Farley and his company would take responsibility for production of programmes for the parade. The Association agreed to pay £2 for each programme it ordered (they were on sale at the parade for £2.50 each). Mr Farley and his business received the benefit of the income from advertisements in the programme. The effect of this arrangement was that Mr Martyn Farley's company took the financial risk associated with the programme's production.

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meeting of the Council to be held on 20 July, 2006. It was also mentioned that another celebrity was also being canvassed at a possible cost of £30,000.<sup>16</sup>

(2) Exhibits Committee: There was no report from Mrs Roberts.

*13 – 20 July 2006*

37. Following the Council meeting on 13 July, Mr Roberts continued his e-mail exchanges with Upfront. On 18 July 2006, Upfront sent a draft contract to Mr Roberts as a confirmation of the oral arrangement that had been agreed. This draft had already been reviewed by Mr Wright's agent who had also confirmed the proposed air flight arrangements for Mr Wright's visit. Mr Roberts made some amendments to the draft and on 20 July 2006 returned it to Upfront. These amendments included details of the Battle-related events that it was expected that Mr Wright would attend. On the same day, Upfront replied with detailed questions concerning arrangements for Mr Wright's attendance (eg who might accompany Mr Wright, what he would be expected to say in speeches at events and so on).<sup>17</sup>

*Thursday, 20 July 2006: Council meeting*

38. Mr Roberts did not attend this meeting of Council. The following matters were discussed among others:

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<sup>16</sup> The offer had in fact been made by Mr Roberts on 11 July 2006 in an e-mail to the agent. I understand that this offer was made in response to a message from Upfront to the effect that Mr Wright would be available to attend Battle and that an appropriate financial offer should be made to Mr Wright's agent to secure his services.

The offer made by Mr Roberts was for a fee of £45,000 to cover Mr Wright's attendance from Wednesday to Saturday morning during the week of Battle, together with an additional amount to cover the cost of three people attending with Mr Wright and to cover the cost of all food and drink. Mr Roberts also acknowledged that Upfront's fee would be £6,000. The total cost would have been of the order of £56,000.

Mr Roberts does not seem to have realised the potential problem that had been created by the Council's decision. The fact that an offer had already been made led to the possibility that it might be accepted before the Council considered this issue again thus creating a contract between the Association, Mr Wright and the agent. The only course available to avoid this happening before Council had met again was to contact the agent immediately and warn him of the difficulty that had arisen.

<sup>17</sup> Mr Roberts has told me that he continued these exchanges with Upfront because he thought it was inconceivable that the Council would not accept his proposal that Mr Wright should be invited to attend Battle and wished to make sure that no problems or delays would arise in making arrangements once Council had made its decision.

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- (1) Celebrities: The Council decided that it would not accept the proposal that Mr Ian Wright should attend the parade.<sup>18</sup>
- (2) Corporate hospitality: It was reported that tickets amounting to approximately £50,000 in value had been sold.<sup>19</sup>
- (3) Corporate sponsor: It was reported that a sponsor had indicated interest in the 2007 Battle.
- (4) Exhibits committee: It was reported that Mrs Roberts would stand back from the Chairmanship of this Committee which would be run by Kathy Gill with the assistance of Lynne Hind and Lyn Latham.
- (5) Carnival: Mrs Le Marrec reported on the arrangements that had been made. It had been decided that the proposal to insert a leaflet in the Jersey Evening Post would not be followed up. Arrangements for handing out flowers and tags to tourists arriving at the Airport had been made. The design for new banners at the Harbour and the Airport had also been approved.

*Monday, 24 July 2006*

39. Mr Roberts sent an e-mail to Upfront answering the questions that had been raised in the 20 July e-mail concerning arrangements for Mr Wright's visit to Battle. In particular, Mr Roberts said that it was acceptable for Mr Wright's party (of four people) to sit at the same table for lunch and dinner, and that Mr Wright's agent could accompany him in the open top car in the parade. He also made suggestions for the content of Mr Wright's speeches.

*Tuesday, 25 July 2006*

40. Mr Roberts sent an e-mail to Upfront<sup>20</sup> which reads as follows:

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<sup>18</sup> I understand that the Council was informed that Senator Ozouf believed that the proposed fee for Mr Wright was unacceptably high. Since Mr Roberts was not present at this meeting, at least one council member assumed that either the Chairman or the Executive Officer would inform him of the Council's decision.

<sup>19</sup> As the tickets were to be sold at £90 each, this implied that more than 550 tickets had been sold.

<sup>20</sup> Mr Roberts has told me that, after the Council meeting on 20 July 2006 (at which he was not present), he received no communication from the Chairman of the Association concerning Council's concerns concerning Mr Wright. Mr Roberts has also told me that it was not until 25 July 2006, when he received the minutes of that meeting, that he realised that the proposal had been turned down.

As far as I am aware, the Executive Officer and the Chairman of the Association were not aware of the content of Mr Roberts' e-mail exchanges with Upfront until 2 August 2006 (see below).



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*“With reference to my last e-mail, could you please give me a call to discuss as the Council [were] not keen on spending £45k on a star.”*

*Thursday, 27 July 2006:*

41. At this meeting of Council the following issues were discussed:-

(1) Celebrities: A number of new names for celebrity invitations were discussed including Chico and Nikki, Ms Jodie Marsh and Grace Adams Short.<sup>21</sup> It was reported that any three of the names mentioned could be hired at an approximate cost of £26,000. (i.e. £22,000 fee plus expenses). It was agreed by Council that Chico and Nikki “would give to Battle what was needed” (ie they would attract a larger audience) and Mr Roberts was asked and authorised to make the appropriate arrangements.

The Minutes record that Mr Martyn Farley enquired as to the relationship between the final tranche of additional funds made available by the Department and the appointment of a celebrity.<sup>22</sup>

(2) Corporate hospitality: Mr Roberts reported that all invitations for hospitality tickets had been sent out and that if all of the tickets were taken up, then the space in the marquee would have been over-sold.

*Friday 28 July 2006*

42. Mr Roberts contacted Eminence to check the availability of Chico and Nikki to discover that they would not be available. The celebrities who might be available were Grace Adams Short and William Murray. As Mr Roberts understood that he had been authorised by Council to settle the celebrity issue, he was minded to go ahead with this proposal but Eminence wanted a deposit of £15,000 to confirm the arrangement.

*Monday 31 July 2006*

43. Mr Roberts spoke to Mr Avery to arrange for the necessary deposit to be paid. However, Mr Avery was not prepared to draw a cheque without first having seen the contract.

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<sup>21</sup> These names had been suggested by another agency contacted by Mr Roberts: Eminence.

<sup>22</sup> I understand that Mr Farley was enquiring whether, having accepted the further grants, the Association was obliged to arrange for Battle to be attended by a celebrity.

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44. A meeting was held at Meadow Bank attended by Mr Pallot, the Executive Officer, the Treasurer and Mr Mark Leonard. Mr Roberts reported that payment of a deposit of £15,000 was necessary to secure the booking of two celebrities. As no contract was available, the Executive Officer was not happy to release any money at this stage.

*Wednesday 2 August 2006*

45. Mr Tracey of Upfront (who had been involved in the discussions concerning Mr Wright) telephoned the Association's office and spoke to Mr Avery. Later that day he sent an e-mail to Mr Avery in which he claimed payment from the Association of a fee in respect of the abortive negotiations concerning Mr Wright. With his e-mail to Mr Avery, he enclosed:

- (1) a letter to Mr Pallot which described the various exchanges that had taken place between Upfront and Mr Roberts which, as far as I am aware, had previously been unknown to Mr Avery and Mr Pallot. In this letter, Mr Tracey complained that he had not been able to contact Mr Roberts by telephone.
- (2) a copy of the e-mail dated 11 July 2006 in which Mr Roberts made the offer in respect of Mr Wright's proposed attendance at Battle;
- (3) a copy of the agreed contract ;
- (4) an invoice from Upfront for its fee of £6,000.

46. Separately, Mr Roberts sent an e-mail to the Association's office enclosing a draft contract for the appointment of celebrities. He also advised again that a deposit of £15,000 had to be paid immediately to secure success. The celebrities named in the contract were Grace Adams Short and Andy Abraham. The Executive Officer refused to sign the contract (or to pay the necessary deposit) as the names mentioned in the contract were not those agreed by the Council.

47. Later that day Mr Roberts returned to the Association's office with another contract which included the names of Grace Adams Short and William Murray. Mr Roberts recalls that the Executive Officer refused to pay the deposit unless instructed to do so by the Chairman. The Executive Officer telephoned Mr Pallot to obtain his authority to proceed; and wrote a cheque which he asked the Treasurer to counter-sign before it was sent to the agency.

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*Thursday, 3 August 2006*

48. Mr Roberts received a telephone call from Eminence to say that payment was still awaited and that unless payment was made by the close of business on that day, then the Association's first option on the chosen celebrities would be cancelled.
49. Mr Roberts then went to NatWest Bank, the Association's bankers, to facilitate the necessary payment. The Bank was helpful and prepared to make the necessary payment by way of CHAPS<sup>23</sup> provided that authority was given by the approved signatories. However, the Bank could not accept the Treasurer's signature as his name had not been added properly to the bank mandate.<sup>24</sup>

*Thursday, 3 August 2006: Council meeting*

50. The following reports were made to this meeting:

- (1) Matters arising: Mrs Le Marrec reported that the third tranche of money paid by the Department was intended to meet the cost of hiring a celebrity but was also intended to assist with the other developments that had been agreed between the Association and the Department.<sup>25</sup>
- (2) Treasurer: The Treasurer submitted a letter of complaint concerning the failure to make appropriate arrangements for him to sign cheques drawn on the Association's bank account. The complaint centred on the difficulty surrounding the addition of his name to the bank mandate that had come to light on 2 August 2006.
- (3) Celebrities: Mr Roberts reported that Mr William Murray was no longer available but that Andy Abraham was available. The Council agreed that Grace Adams Short and Andy Abraham should be invited to attend.<sup>26</sup>

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<sup>23</sup> The banks' automated payment service.

<sup>24</sup> The Bank had written to the Executive Officer on 19 May 2006 pointing out that in adding Mr Roberts' name to the mandate, the Association had not given the necessary indication of the extent of his signing powers.

<sup>25</sup> This appears to have been the answer to Mr Farley's enquiry at the previous Council meeting.

<sup>26</sup> Mr Roberts recalls that Ms Jodie Marsh was also mentioned at this meeting.

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*Friday, 4 August 2006:*

51. On the morning of 4 August 2006, at 0937 hours, Mr Roberts sent an e-mail to Mr Pallot and to the Association's office confirming that he had spoken to the agents and that Grace Adams Short, Andy Abraham and Jodie Marsh were available. He also confirmed that William Murray was not available. He reported that the cheque that had been sent had not arrived and gave the bank details that were necessary for a CHAPS payment to be made in accordance with the Council's decision on the previous evening.
52. Overnight Mr Pallot had become uneasy about the Council's decision concerning the celebrity contract. Mr Pallot telephoned the Executive Officer to discuss the matter and to ask if the Chairman of the Council "could pull the plug" on the decision that had been made on the previous evening.<sup>27</sup>
53. Mr Pallot decided that he must first speak to Mr Roberts to say that he was not happy to go ahead<sup>28</sup>. In a telephone conversation Mr Roberts said to Mr Pallot that it might be possible to cancel but suggested that legal advice should first be taken. Mr Pallot then apologised to Mr Roberts because he felt guilty that this was the unsatisfactory conclusion to all of the work that Mr Roberts had invested in the event.
54. Mr Roberts then spoke to Eminence and suggested that they should speak to Mr Pallot. Later, Mr Roberts met Mr Leonard, explained what had happened and said that he intended to resign.
55. Mr Pallot received a telephone call from Eminence during which Mr Pallot was informed that one of the celebrities under consideration was Ms Jodie Marsh. Mr Pallot recalls that this was the first occasion on which he had appreciated that she was expected to attend Battle.<sup>29</sup>

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<sup>27</sup> This passage of events has some similarities to events early in 2005. At that time, Mr Avery was acting as Treasurer, besides being Executive Officer. The Council's minutes record that Mr Avery had prepared a budget for the 2005 Battle which showed a deficit of £31,690. To avoid such a deficit, Mr Avery had proposed changes to the guaranteed payments to exhibitors which the Council eventually agreed at a meeting on 10 March 2005. Minutes of a subsequent meeting record that within forty-eight hours, this decision had been reversed through the actions of Mr Pallot. He had concluded that the agreed savings would not be accepted by exhibitors and thus could not be allowed. He then spoke to members of Council and they decided to leave matters as they stood without the savings.

<sup>28</sup> Mr Roberts recalls that he was told that both Mr Avery and Mr Pallot were unhappy with the Council's decision.

<sup>29</sup> I note that Ms Marsh's name was mentioned in the e-mail which Mr Roberts sent to Mr Pallot early in the morning of 3 August 2006 (ie before the agency's telephone call from the agency). I understand that Mr Pallot did not see this e-mail until the evening of that day when he returned home from work. I also note

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56. The Executive Officer (at the same time or subsequently) sought advice from the Association's lawyers who said that it would be difficult to get out of the oral arrangements that Mr Roberts had made whose existence was confirmed in the first line of the proposed contract.
57. Meanwhile, a journalist contacted Mr Pallot to enquire into the circumstances surrounding the celebrity issue and mentioned that Mr Roberts had resigned as Treasurer of the Association. That evening, Mr Pallot spoke to Mr Roberts and asked him not to resign in view of the fact that the day of the parade was so close and he had so many responsibilities (eg for arranging the corporate hospitality facilities).
58. Also on that evening, Mr Roberts watched the 'Big Brother' programme and became aware of speculation that Grace Adams Short might re-enter the Big Brother house and thus, whatever the Council decided, she would not be available to attend Battle.

*Saturday, 5 August 2006*

59. An article appeared in the Jersey Evening Post which referred to the complaint which Mr Roberts had made at the 3 August Council meeting and the amounts of money which were involved in the negotiations over appointment of a celebrity.

*Monday, 7 August 2006*

60. Mr Roberts recalls that he called Eminence and confirmed that Grace Adams Short was to re-enter the Big Brother house.<sup>30</sup> At this point, it was clear that the only celebrities available to attend the parade were Ms Jodie Marsh and Andy Abraham.
61. During the day, Mr Avery and Mr Pallot again talked to Council members and a number met at the Association's offices during that evening. Those present agreed that Ms Jodie Marsh was not an ideal choice but that cancellation at that stage would attract adverse publicity. They were also concerned that the Association would be liable for the full amount due under the proposed contract and so would have to make a payment whether a celebrity attended or not. Consequently, the people present agreed that the proposed contract should proceed.
62. Following this meeting, Mrs Roberts resigned.

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that her name is mentioned in the minutes of the Council meeting on 27 July 2006 although the meeting decided to proceed with other celebrities.

<sup>30</sup> This raises a question concerning the agency's motives. I assume that the proposal that Grace Adams Short should re-enter the Big Brother house had been contemplated for some time which would suggest that the agency would also have known for some time that she might not be able to attend Battle.

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*Tuesday, 8 August 2006*

63. Mr Avery went to the Association's bank to arrange for the necessary payment under the contract. He was told that he needed a second signature on the payment authority. As Mr Pallot was not readily available, Mr Avery arranged for the payment of £15,000 to be made from his private bank account.

64. As I have reported above, at successive Council meetings, Mr Roberts had reported that sales of corporate hospitality tickets had been satisfactory. Later this day, Mr Roberts reported that there had been a few cancellations because of the public reaction to the celebrity chosen to attend the Battle.

*Wednesday, 9 August 2006*

65. Mr Avery and Mr Pallot have told me that on this day, Mr Roberts again confirmed that he expected that more than 350 people would be present in the corporate hospitality stand.

*Thursday, 10 August 2006: Battle of Flowers*

66. Mr Avery and Mr Pallot recall that about one hour before the parade commenced, Mr Roberts said that only 200 people would be present in the corporate hospitality stand including the invited guests of the Association<sup>31</sup>. At this point, there was little that could be done. Tables were re-arranged in the marquee but, when the parade took place, the stand was half-empty.<sup>32</sup>

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<sup>31</sup> In retrospect, it can be seen that what had previously been reported to Council meetings as sales of corporate hospitality tickets were at best expressions of interest. Mr Roberts recalls that the tickets themselves were not made available to him until 24 July 2006 and so could not have been sent earlier. Mr Avery recalls that the tickets had been printed some weeks before this and that Mr Roberts failed to collect them from the Association's office. In either event, tickets appear to have been issued on the basis that payment for them would be sought after the day of the Battle. Memories of why this approach was chosen are also in conflict.

<sup>32</sup> Quite apart from the embarrassment that was caused, the Association has suffered a significant loss as a result of this initiative. As estimated by Mr Avery, the costs of the marquee, stand and catering amounted to approximately £34,000 and the income that has so far been received from the sale of tickets is only £4,000. The Association's attempts to collect the amounts due in respect of tickets sold have been hampered by the fact that the Association's office has not received from Mr Roberts a list of names and contact details of those to whom tickets were sold. This is in spite of the fact that many requests for this information have been made to Mr Roberts.

Mr Roberts has told me that this information was provided to the office in an e-mail. I have asked him to provide me with a copy of the e-mail or e-mails concerned. Mr Roberts has not done this. I understand that, in a similar way, Mr Roberts told Mr Pallot that the required information had been sent by e-mail to the Association's office by his wife. No copy of that e-mail has been found or provided.

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67. In the event, Ms Jodie Marsh and Andy Abraham attended the parade as agreed on 7 August, but the audience's reaction was not consistently positive.<sup>33</sup>

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<sup>33</sup> It required the efforts of a number of people, including Senator Ozouf, to minimise the embarrassment caused by the public reaction to Ms Jodie Marsh and to ensure that it did not undermine the atmosphere surrounding the parade. Efforts were also made to ensure that the corporate hospitality stand was full for the night parade.

## SECTION 4 ~ OUTCOMES AND FINDINGS

### Introduction

68. From the chronology in section 3 of this report it is clear that in some respects the outcome of the Association's work in preparing for the 2006 Battle was a disappointment:

- (1) in the eyes of some members of Council, the initiative to improve the marketing of the Battle did not achieve the desired results;
- (2) the choice of a celebrity to attend the parade was made notwithstanding the misgivings of some members of Council and has led to criticism and complaint,
- (3) the attempt to make corporate hospitality facilities available led to embarrassment for the Council and a material loss for the Association rather than the surplus that was anticipated<sup>34</sup>; and
- (4) the Association may have suffered a material loss partly through the failure of corporate hospitality income to materialise and partly through carelessly incurred liabilities.<sup>35</sup> This loss will have been incurred notwithstanding the increased grant made available by the Department.

69. However, whilst recognising that some disappointments have occurred, it is worthwhile to recognise that some things went well:

- (1) many have commented that the parade was an impressive spectacle and that the atmosphere was excellent;
- (2) the carnival improvements arranged with the assistance of Jersey Arts Centre and funded by the Department's grant appear to have been a widely appreciated success;
- (3) the re-decoration of the arena arches and the arena banners appear to have been appreciated; and

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<sup>34</sup> The corporate hospitality loss is currently estimated by the Executive Officer to be of the order of £30,000.

<sup>35</sup> Such liabilities include the fee which may prove to be payable to Mr Wright's agent (£6,000) and a claim from Vibert Marquees as a result of some uncertainty over the erection of a marquee for the Presentation Night event for exhibitors. I understand that the Association will be defending its position vigorously.



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(4) although the final results are not yet available, the sampling of the audience's reactions appears to suggest that the parade was well-received.

70. Against this background, I will now turn to my analysis of factors which led to disappointment.

**Factor 1: For some tasks, the Association relied inappropriately upon people who did not have the necessary skills and experience**

71. I believe that this is evident in three areas:

- (1) the appointment of marketing consultants;
- (2) the invitation of a celebrity; and
- (3) the organisation of corporate hospitality facilities.

*Marketing consultants*

72. It is evident from the Association's management of the search for marketing consultants that the Council did not have a clear view of the marketing services which it needed or of the difference between marketing and public relations advice. Nor did the Association demonstrate that it knew how best to manage consultants once they had been appointed.

*Celebrity*

73. In a number of respects, Mr Roberts' handling of the celebrity initiative was unsatisfactory.

74. For example, before the Council meeting on 13 July 2006 at which consideration was given to the proposal to invite Mr Wright to attend Battle, Mr Roberts had issued an invitation and proposal to Mr Wright's agent. Although Council then deferred its decision for a week, Mister Roberts failed to alert the agent to the delay. Mr Roberts even failed to react when the invitation and offer were accepted on 18 July 2006, two days before the meeting to which Council had deferred its decision. Mr Roberts was not at the Council meeting at which the proposal to invite Mr Wright was turned down but he failed to take the elementary precaution of checking the outcome: he continued to discuss detailed arrangements with Mr Wright's agent. Only when he received the minutes of the meeting on 25 July 2006, did he warn the agent that there was a problem. He then appears to have ignored telephone calls from Mr Wright's agent and began discussion of alternative celebrities with other agencies (who shared

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this news with Mr Wright's agent thus compounding the growing difficulty of the relationship between Upfront and Mr Roberts).

75. In these circumstances, it may not be surprising that Mr Wright's agent has claimed a fee from the Association.
76. This problem arose because of Mr Roberts' poor business practice. Mr Roberts' answer to this, as I have shown in section 3, is that he thought it was inconceivable that Council would turn down his proposal. That was an error of judgement.
77. It is difficult to avoid the conclusion that Council's reliance upon Mr Roberts in this area of responsibility was misplaced.

*Corporate hospitality*

78. As far as I can discover, all of the responsibility for organisation of corporate hospitality facilities was left with Mr Roberts once he had taken responsibility for it. This included responsibility for the sale of tickets and for the administrative work that accompanied the sale of tickets. It even extended to the organisation of the marquee and planning seating in the marquee.<sup>36</sup>
79. In the event, it became clear that by his reports to Council meetings, Mr Roberts had encouraged expectations of sale of corporate hospitality tickets and of his capability to organise an event on the scale which he had led people to expect which were simply not realised.

**Factor 2: The Council and its Officers continued to rely upon individuals even when there was evidence that their reliance may have been misplaced.**

80. As I have explained above, Mr Roberts was allowed to take responsibility for the whole of the organisation of the corporate hospitality facilities including such detailed matters as the administration of ticket sales and marquee seating plans. I am clear that Mr Roberts would readily have said that he would undertake this work. However, the volume of work that would have been involved would have been substantial in view of the number of people whom Mr Roberts had led the Council to believe had bought tickets. On its own, this should have led the Council to question whether it was wise to allow a single person to take on this burden. In view of the risk to the Association's reputation and its finances if there had been a major failure, it

would have been wise to insist that the administration of ticket sales and the marquee should have been a task for the Association's office staff.

81. I realise that Mr Roberts may have resisted this; but in my view the Council and its Officers have an obligation to ensure that preparation for Battle is properly managed and that the good name of Battle is not endangered by volunteers who over-extend themselves.

**Factor 3: Weaknesses in the Association's corporate governance practices and its internal financial controls magnified the effects of these misjudgements.**

82. The willingness to rely upon individuals to an unreasonable extent and the unwillingness to intervene when it appears that reliance may be unwise, were in my view compounded by weaknesses in the corporate governance practices within the Council.

83. In sections 5 and 6 of this report I will set out the results of my detailed analysis of the strengths and weaknesses of the Association's corporate governance practices and internal financial controls. In my view, the preparation for the 2006 Battle was made more difficult by the effect a number of key weaknesses:

- (1) a failure by the Officers to ensure that key posts are filled effectively. Most importantly, the failure to appoint a Treasurer for the three years before 2005/2006 coupled with an acceptance that the Executive Officer should also discharge the responsibilities of a Treasurer was unfortunate.
- (2) a failure by the Council and the Officers to ensure that the Executive Officer was held properly accountable for his actions. The fact that for some years the Executive Officer also discharged the functions of a Treasurer was a serious weakness in arrangements for the Council's supervision of the office's activities. It also created the possibility that the eventual appointment of a Treasurer might be contentious.
- (4) an acceptance that all spending decisions are subject to the veto of the Executive Officer (he signs all cheques: even those drawn in favour of himself, although a counter signature is required for certain payments) whilst not all spending decisions appear to be the subject of review by Council.
- (5) the use of sub-committees (which in some cases consisted of a single person) to undertake particular functions with a considerable degree of freedom and autonomy. No

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<sup>36</sup> Some frustration was caused on the day of Battle when it was discovered that Mr Roberts had not

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minutes are kept of sub-committee meetings although reports are expected at each Council meeting.

**Factor 4: These weaknesses were in turn exacerbated by personal animosity between some members of the Council.**

84. In the chronology in section 3 I have indicated instances in which the orderly conduct of the Association's business was hampered by unsatisfactory relationships. I will not repeat them here.

85. Inevitably, current personal relationships are affected by memories of past exchanges. I am aware that some members of Council recalled that Mr Roberts had been a member of council on a previous occasion. They also remembered the unsatisfactory circumstances which led him to feel obliged to resign. These memories undoubtedly affected Mr Roberts' relationship with some other members of the Council.

**Factor 5: A failure by the Minister to ensure that the terms on which he offered further grants had been discussed with the Department's officials and that they were then properly recorded, defined and applied. In addition, the Department did not make good this failure to record and define the terms of the Minister's offers. This contributed to the Council's understanding that by accepting the grants it was obliged to take certain initiatives.**

86. As I have indicated in section 3, the terms on which the additional amounts of £50,000 and £45,000 were offered by the Minister were not defined in writing (other than in the somewhat unsatisfactory form of Mr de Carteret's letter dated 25 February 2006 which did not deal with the invitation to a celebrity which was linked to the offer of £45,000). The Council and its Officers understood that in return for funds being made available, they were being asked to take a number of steps which they would not have taken on their own. In particular, they understood that in return for the advance of the final amount of £45,000 they were expected to invite a celebrity to attend the parade.

87. Senator Ozouf has told me that it was not his intention that inviting a celebrity should be a condition of accepting this sum although it was certainly envisaged that an attempt would be made to find a suitable person.

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prepared a seating plan.

88. Unfortunately, the lack of clarity left room for the Council to misunderstand what was intended. This contributed to the Council's persistence in seeking a celebrity at a very late stage when the effect of a celebrity's attendance upon the potential audience could not have been other than negligible.

89. I also note that the payments were made in spite of the fact that the Association had not complied with the undertakings it had given to implement proper corporate governance arrangements and to raise money by way of corporate sponsorship.

**Mr Roberts' complaints**

90. In discussing these issues with me, Mr Roberts made a number of criticisms of the Council's conduct which I presume were intended in part as answers to the criticisms which others had made of him. They concerned:

- (1) Mr Roberts' status as a cheque signatory;
- (2) Mr Roberts' access to the financial records of the Association;
- (3) Mr Roberts' proposals for the improvement of the association's financial controls;
- (4) corporate hospitality tickets; and
- (5) communication of the outcome of the Council meeting on 20 July 2006 (ie the decision concerning Mr Wright).

91. I have considered all of these matters.

*Cheque signatory*

92. Mr Roberts' complaint is that he was not added to the Association's bank mandate to become a cheque signatory as was proper.

93. I agree with Mr Roberts that he should have been recognised as a cheque signatory in accordance with the Association's constitution. I also agree that his name was not added and that this was unsatisfactory. I note that the omission to correct the bank mandate does not appear to have caused practical difficulties until mid-August. I also note that the failure to amend the bank mandate meant that the deposit to confirm the celebrities' contract was eventually paid from Mr Avery's personal bank account because a necessary second signatory could not be found.

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*Access to the Association's financial records*

94. Mr Roberts has told me that Mr Avery did not allow him to have access to the Association's financial records which were maintained on a computer using a Sage accounting software package. This is not to say that Mr Avery provided Mr Roberts with no financial information at all. Mr Roberts has told me that on the day of each Council meeting, Mr Avery would send him a copy of a print out of accounts balances in the Association's ledger so that Mr Roberts could prepare a report and financial summary for the Council meeting. Mr Roberts has told me that this inconvenienced him as he had little time in which to prepare his report and no chance of asking questions of Mr Avery when he needed explanations of the balances.
95. Mr Avery tells me that he provided accounting information to Mr Roberts in the manner chosen by Mr Roberts and that Mr Roberts did not express any dissatisfaction. I have searched the Council's minutes and can find no suggestion that Mr Roberts reported any dissatisfaction about this matter to any meeting of the Council.
96. At least one other member of Council has told me that Mr Roberts' financial reports were not entirely helpful and discussed the issue with him. In that conversation, Mr Roberts made no reference to any problems he may have experienced in obtaining accounting information from Mr Avery.
97. If Mr Roberts considered that he was being hampered in his proper duties as Treasurer by a failure on Mr Avery's part to make available necessary information or to provide necessary access to records, Mr Roberts should have raised this matter firstly with his fellow Officers (ie Mr Pallot and Mr John Farley) and secondly with Council.

*Improvements to the Association's financial controls*

98. Mr Roberts has told me that when he became Treasurer, he visited the Association's auditors and its bankers. As a result of his conversations with them, Mr Roberts told me that he made various suggestions to Mr Pallot and Mr Avery for improvements in the Association's financial controls (eg a change in the value of cheques for which a single signatory would be required) which they dismissed.
99. I have asked Mr Pallot and Mr Avery for their recollection of this conversation. They both separately denied that such a conversation took place.
100. I have asked the Association's auditors for their recollection of Mr Roberts' visit. They recall that the conversation did not cover control issues. I have made a similar enquiry of the

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Association's bankers who recall that the conversation in question was general and introductory in nature.<sup>37</sup>

101. As will become apparent later in this report, I believe that the Association's internal financial controls are weak in a number of respects.

*Corporate hospitality tickets*

102. Mr Roberts has told me that he was hampered in his efforts to sell corporate hospitality tickets and to collect money for them by the fact that Mr Avery did not print the tickets and make them available to him until 24 July 2006. Mr Avery tells me that the tickets were in fact printed some weeks before that but were not collected by Mr Roberts.

103. At its meeting on 20 July 2006, Council was told that tickets worth £50,000 had been sold (ie substantially most of the tickets available for sale). This suggests that Mr Roberts attempts to sell tickets had not been hampered.

104. I agree that if it were the case that Mr Roberts had sold as many tickets as were reported and had no actual tickets then attempts to collect the cash due would have been hampered. But in that case, one would have expected Mr Roberts to report to Council that his activities had been hampered by the fact that tickets were not available. There is no record of such a report.

*Outcome of Council meeting on 20 July 2006*

105. Mr Roberts has complained to me that the Chairman did not tell him directly of the result of the meeting's discussion of the proposal to invite Mr Wright to attend the parade and that in consequence he did not know of the outcome until he received the draft minutes on 25 July 2006.

106. Irrespective of the Chairman's actions, Mr Roberts knew that the proposal was to be discussed at the meeting. He needed to know the outcome of the Council's debate. If for whatever reason Mr Roberts was not told the outcome, it was incumbent on him to ask for the information he needed before taking further action. His apparent failure to do this was a misjudgement.

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<sup>37</sup> They also recall that the conversation took place some months' after Mr Roberts' appointment to be Treasurer and in the margins of a meeting with Mr Roberts to discuss business matters not related to the

## SECTION 5 ~ GOVERNANCE OF THE ASSOCIATION

### Introduction

107. The Battle of Flowers parade is produced and managed by the Jersey Battle of Flowers Association whose principal purpose is:

*"To promote the Island of Jersey by holding an annual event to be known as the Jersey Battle of Flowers."*<sup>38</sup>

108. Doubtless this object reflects the intentions of the collaboration between interested volunteers and the Tourism Committee of the States Assembly which led to the re-commencement of the parade in 1952.

109. Annual membership of the Association is open to anyone upon payment of the appropriate subscription. Members of the Association have the right to:

- (1) attend and vote at special and general meetings of the Association;
- (2) to attend meetings and events organised under the auspices of the Association on payment of appropriate admission fees;
- (3) elect the Executive Council of the Association; and
- (4) be eligible for election to the Executive Council.<sup>39</sup>

110. Management of the Association is vested in an Executive Council ('the Council') which consists of the three principal officers (Chairman, Vice-Chairman and Treasurer), six elected Council members and the Executive Officer. Members of the Executive Council hold office for a period of three years from appointment, two members being elected in each year. Similarly, the principal officers hold office for three years and in each year one of the officers is elected in rotation. In the case of vacancies, the Council may appoint substitutes for the principal officers.<sup>40</sup>

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Association.

<sup>38</sup> Paragraph 1 of the Association's constitution.

<sup>39</sup> Paragraphs 4 and 5 of the Association's constitution.

<sup>40</sup> Paragraph 10 of the Association's constitution.



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111. The Association also elects a President who serves for three years and attends meetings of the Council although he has no vote.<sup>41</sup>
112. Management of the business and affairs of the Association is the responsibility of the Council which is given power to:
- (1) expend the funds of the Association and incur liabilities subject to the Association's financial rules;
  - (2) make necessary regulations for the conduct of the Association's business;
  - (3) delegate powers by appointing Committees and Sub-Committees; and
  - (4) appoint an Executive Officer and agree terms and conditions of employment.<sup>42</sup>
113. In practice, a great deal of the Association's business is handled by a number of permanent sub-committees which deal with public relations, commercial affairs, exhibits, carnival week and arena arrangements. Terms of Reference exist for each of these standing committees which are required to report their progress and financial estimates at meetings of the Council. Chairmen of all the standing committees are to be members of the Council and select the members of their Committees subject to the agreement of the Council. All standing committees have the power to conduct the Association's business within the Terms of Reference which they have been given.<sup>43</sup>

**Practice**

114. In a number of respects, the Council has adopted practices which vary somewhat from the provisions of the constitution.
115. Firstly, the Association's Chairman normally allocates sub-committee responsibilities to each Council member and it is accepted that the nominated Council member may decide that a Committee is not required. For example, during 2005 to 2006, the Association's Chairman, Mr Pallot, decided to take responsibility for public relations himself and also decided that a sub-committee would not be required. Consequently, Mr Pallot discharged the responsibilities of the sub-committee himself. This was also the case with commercial affairs.

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<sup>41</sup> Paragraph 8 of the Association's constitution.

<sup>42</sup> Paragraph 11 of the Association's constitution.

<sup>43</sup> Paragraph 12 of the Association's constitution.

116. Secondly, it has not been possible to fill all of the principal offices of the Association. In 2005-2006, the Association did not elect a Vice Chairman. For the three years before that, the Association did not elect a separate Treasurer. Although the constitution gives power to the Council to fill vacancies until the next Annual General Meeting, in neither of these cases did it do so. As a result, the Council has functioned without a Vice-Chairman during 2005-2006. Before that, the Executive Officer also discharged the functions of a Treasurer to the extent that he was able to do so.

### **Company**

117. Apart from the Association, in 1983 a limited company (The Jersey Battle of Flowers Limited<sup>44</sup>) was formed to hold the Association's interests in property (i.e. the shed and offices at Meadow Bank). The company does not undertake any activities other than the holding of the Association's principal fixed assets. Other assets relating to the Battle of Flowers (eg the crest and logo) are held by the Association.<sup>45</sup>

### **Suitability of structures**

118. Under the current arrangements, the business of producing, organising and presenting a major public event, the Battle of Flowers parade, is the responsibility of an unincorporated association. In some ways this may be attractive. Many of the Association's members are associated with float building and thus are interested in the parade and have a commitment to its character and history. However, in other ways, this structure is unattractive.

119. Firstly, managing a public event of the scale of the Battle of Flowers is inherently risky. If by misfortune a serious disaster were to occur whose financial consequences exceeded the level of the Association's public liability insurance, the resulting insolvency of the Association would result in personal liabilities for each of the Association's members. Whilst a disaster of this sort has not so far happened it is obviously not sensible to assume that it will never happen.

120. Secondly, an unincorporated association (such as the Association) does not have a distinct legal identity and so cannot enter into contracts in its own name. This is a part of the reason for the creation of a company to hold the Association's interest in property.

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<sup>44</sup> Registered number 25893. The current shareholders are Mr Pallot, Mr Pallot and Mr John Williams. Each shareholder has signed a blank share transfer form so that the shares could readily be transferred. The current directors include the shareholders together with Mr Beaumont, Mr Bouchard and Mr Perkins.

<sup>45</sup> Paragraph 3 of the Association's constitution.

121. It would be wiser for the Association's trading and business affairs to be managed in the context of a limited company. This would enable the financial risks attaching to the promotion of the Battle of Flowers parade to be managed within company law and would provide some measure of protection to members of the Association. A company would also be able to contract in its own name.
122. This would be relatively easy to achieve since the Association already owns a limited company which could be used for this purpose.

#### **Governance arrangements within the Council**

123. Quite apart from the appropriateness the structure within which the Association's business is conducted, the investigation of events surrounding the 2006 Battle of Flowers suggests that the way in which business has been handled within the existing structure has not been ideal.
124. To analyse the nature and cause of the shortcomings, I decided to compare the governance practices of the Association with a benchmark. Choice of a suitable benchmark is not straightforward. Many codes of corporate governance are intended for larger companies and would not be appropriate for largely voluntary associations. In the circumstances, I have used as a benchmark a code of practice published by (among others) the Association of Chief Executives of Voluntary Organisations and the National Council of Voluntary Organisations.<sup>46</sup>
125. My detailed comparison of the Association's practices with this benchmark is set out in Appendix 3 to this report.

#### **Assessment of the Association's governance arrangements**

126. From the detailed analysis set out in Appendix 3, two main weaknesses are apparent.
127. Firstly, the Council relies on a number of sub-committees which may consist only of a single person, do not keep minutes of their meetings and have authority to commit the Association. I realise that the chairmen of the sub-committees are supposed to keep the Council informed of their actions and that they are intended to make sure that the Association's office has copies of significant documents, but this does not always happen.

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<sup>46</sup> 'Good Governance: A Code for the Voluntary and Community Sector' published in June 2005. Copies can be downloaded from: [www.governancehub.org.uk](http://www.governancehub.org.uk)

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128. Secondly, by allowing key positions to remain, the range of skills available within the Council was inappropriate to manage all aspects of the Association's business. In particular, the failure of the Association to elect a Treasurer in the years before 2005 to 2006 led to an unacceptable concentration of financial responsibility in the hands of the Executive Officer with consequences which I will set out in the next section of this report dealing with internal controls.
129. As importantly, it is clear that the Council did not have the skills necessary to deal with the commercial aspects of organising the Battle of Flowers. This is evident, for example, from the mistakes which were made in considering the appointment of celebrities to attend the 2006 Battle of Flowers parade but also in other areas of the organisation.
130. In previous years, this difficulty had been managed through the assumption by the Executive Officer of a range of responsibility which was not fully supervised and managed by the Council. Whilst this may have been effective in practice, it was unacceptable in principle. In particular, the absence of proper challenge and supervision of the Executive Officer within the Council was and is unsatisfactory. The result is that the Council does not discharge its responsibilities to the members of the Association and that the Executive Officer is vulnerable to criticism.
131. This is not to say that all aspects of the Council's management of the Battle of Flowers are unsatisfactory. I have spoken to a number of exhibitors who are broadly happy with the nature of the relationship between exhibitors and the Association. Moreover there is broad appreciation of the quality of the floats which take part in the Battle of Flowers parade. This part of the Association's responsibility appears to be well managed.

**Future development:**

132. It would be unwise for the current arrangements to be allowed to remain unchanged. The unsuitability of the current structure leaves members exposed to the unexpected consequences of risk. Current management arrangements within the Council appear unsustainable. Finally, there must be considerable doubt whether the weaknesses in the current arrangements assist the Association in achieving its principal object which is:

*"To promote the Island of Jersey . . ."*

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133. Whilst most of the people whom I have interviewed would accept these observations in principle, they have all expressed the concern that any changes in the existing arrangements should not amount to the Association "being taken over". Such reactions are understandable. The voluntary nature of the float builders' work is important in itself but to many people also seems symbolic of Jersey's community. Undermining the voluntary character of the parade would for these people tend to vitiate the parade's worth as a symbol of the values of the Island's community.

134. I have borne these concerns in mind in considering the following recommendations.

**Recommendation 1: As soon as possible, the business of organising and managing the parade should be transferred to The Jersey Battle of Flowers Limited, the company owned by the Association.**

135. The purpose of this transfer would be to manage the business aspects of the parade within a corporate structure so that the responsibility of the Association's members for any liabilities could be managed and limited. This transfer would also lead to the normal rules of governance within companies being applied to the parade's business.

136. As the Association would remain the owner of the limited company, I envisage that the Association would be able to hold the board of the company to account for its management of the parade partly by requiring the provision of reports at Annual General Meetings and by questioning of Board members at those meetings. In this way, the volunteers' proper interests would be institutionalised and sustained.

137. I also envisage that, if it were thought appropriate, the management of the preparation of floats could remain with the Association rather than being transferred to the company. This might be helpful in safeguarding the voluntary nature of these projects. After all, there is little criticism of the way this has been managed by the Association.

**Recommendation 2: The board of the limited company should be small and consist of people with the skills necessary to manage the parade's business affairs.**

138. The following principles should be followed in appointing the members of the board of the limited company:

- (1) the board should be relatively small.

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- (2) the board should include members with the key skills necessary for effective management: including financial management experience, and events management experience.
- (3) the board should include a Chief Executive.
- (4) the chairman of the board should have responsibility for ensuring that key skills are adequately represented on the board.
- (5) if possible, the board should include representation for key stakeholders (eg the major providers of funds such as the Economic Development Department and major corporate sponsors). If restricting the size of the board does not permit inclusion of such representation other means of representing key stakeholders should be found.

**Recommendation 3: The chairman of the limited company should be responsible for ensuring that the board's membership includes all of the key skills necessary for effective management.**

139. Ensuring that key skills are available is not a matter that can be left to chance. If financial skills are missing, then they should be found and it should be the responsibility of the chairman to find them.

## SECTION 6 ~ INTERNAL FINANCIAL CONTROLS

### Introduction

140. From the chronology of the events leading to the 2006 Battle of Flowers, it is clear that the Association's internal controls have proved inadequate to the task of protecting the Association's financial assets.

141. Accordingly it seemed appropriate to examine the nature of the Association's internal financial controls in some detail and to do this, I decided to compare the Association's arrangements with an external benchmark. As was the case with my assessment of the Association's governance arrangements, selection of an appropriate benchmark with which to compare the Association's arrangement was not straightforward. It would not, for example, be appropriate to compare the Association with a substantial commercial enterprise. As benchmark, I therefore chose the guidance of the Charity Commission in England and Wales on internal financial controls for charities<sup>47</sup>. This guidance is expressed in terms appropriate for small charities which are not companies and thus for entities similar to the Association.

142. My detailed comparison of the Association's arrangements with the provisions of this guidance are set out in Appendix 4 to this report.

### Weakness in internal financial controls:

143. From the detailed analysis set out in Appendix 4, three main weaknesses are apparent.

144. Firstly, a great deal of responsibility has been focused upon the Association's Executive Officer. As I have explained in Section 4 of this report, this has been partly a reaction to the varying range of skills represented on the Association's Council.

145. Secondly, the combination of the degree of responsibility passed to the Executive Officer with the failure to appoint an effective Treasurer has meant that the Council has not been able to exercise appropriate supervision over the Executive Officer and in particular his control of the Association's finances. I would stress that I have not found evidence that the Executive Officer has abused the considerable degree of trust which has in effect been placed in him.

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<sup>47</sup> CC8: 'Internal financial controls for charities' can be downloaded from: [www.charity-commission.gov.uk/publications/cc8](http://www.charity-commission.gov.uk/publications/cc8)

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Nonetheless, the Executive Officer has found himself vulnerable to criticisms about the way in which his responsibilities have been discharged because for some years there has been no effective Treasurer who could provide reassurance.

146. Thirdly, the combination of the degree of responsibility passed to the Executive Officer and the failure to appoint an effective Treasurer has been exacerbated by the range of practical tasks undertaken by the Association's office. All of the cash takings in the week of Battle are counted by the Association's staff in the Association's offices. Significant amounts of cash are received from concessionaires (e.g. the fun fair<sup>48</sup>) and counted by the Association's staff in the Association's offices. All of the Association's ticket sales (apart from corporate hospitality sales in 2006) are managed directly by the Association's staff in the Association's offices.

147. The result is that considerable amounts of cash pass through the hands of the Association's staff. It was explained to me that this arrangement was chosen because of a desire to avoid the costs that would be incurred by sub-contracting this work to the commercial companies that would be prepared to undertake it. In my view, this has been unwise because it has opened the Association (and its staff) to accusations of mis-management.

148. I note that the Association's auditors have not reported to either the Council or the members that they have found such evidence and I therefore infer that in all material cases, the auditors have been able to confirm that the Association's accounts have correctly reported its income.

**Recommendation 4: The Chairman of the Association should be responsible for ensuring that the key offices of the Association are filled and that necessary skills are represented on the Council.**

149. It is a prime responsibility of an organisation's chairman to ensure that its council or board contains within it the financial skills which are necessary for effective management. The Chairman and the Council together should be responsible for ensuring that at each Annual General Meeting a person with the appropriate skills is nominated to serve as Treasurer. It is not satisfactory for this to be left to the chance.

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<sup>48</sup> In this case, the difficulty is exacerbated by the fact that the amount due to the Association each year from Mr Searle, the funfair concessionaire, is the subject of an oral agreement between Mr Searle and the Executive Officer so that there is no independent corroboration of the total amount due each year let alone



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150. If my recommendations concerning the structure of the Association and the increasing role of the limited company are accepted, then the chairman of the limited company should take responsibility for ensuring that one director at least has appropriate financial skills.
151. Had this been done in the past and had the appointed Treasurer undertaken the checks envisaged by the Charity Commission guidance, a major part of the difficulty which has now arisen would have been avoided.

**Recommendation 5: Wherever possible, the Battle of Flowers organisation (whether in the form of the Association or the limited company) should use sub-contracted services.**

152. The Association has tended to assume that it must not only manage but also undertake itself most of the processes necessary for the promotion of the annual parade. This increases the range of skills that the Council needs and the risk that they cannot be found. It can also increase the burden on the Association's staff.
153. An example of this is provided by the way in which the Association deals with cash takings from Battle. Cash is collected by Securicor and held until the Executive Officer calls for it. The cash is then counted by the Association's staff before being deposited in a bank. A wiser course may be to use the cash counting services offered by a bank.
154. A larger example is provided by arrangements for the sale of tickets. At present, the Association's office deals with the sale of tickets (save in 2006 for the sale of corporate hospitality tickets). This requires the Association to have systems to take bookings by internet, phone, and e-mail. It would be possible for the Association to use a commercial ticketing agency and thus avoid its current administrative burden.

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whether that amount was in fact received. Mr Avery has told me that the agreement is recorded but he has not provided me with a copy of the document.

## **SECTION 7 ~ RELATIONSHIP BETWEEN THE ASSOCIATION AND THE STATES**

### **Introduction**

155. For many years, the States has provided grant assistance to the Association to assist in the Association's principal objective of promoting the Island of Jersey. These grants have taken the form of a lump sum paid to the Association which in some years has been augmented by a further sum to underwrite the overall loss incurred by the Association. In addition, the States made a loan available to the Association to fund the acquisition of its premises in St Peter and, more recently, a further grant to assist with the purchase of crowd barriers and portable toilets.

### **Agreement with the States**

156. The relationship between the Association and the States has been governed in each year by an agreement which latterly has been called a partnership agreement. The principal provisions of this agreement, apart from the amount of the grant (for some years £95,000), are as follows:

- (1) The Association will ensure that robust corporate governance principles have been agreed and are in place.
- (2) The Association will produce annual audited accounts and an annual business plan.
- (3) The grant and all related expenditure incurred by the Association must be clearly identified in the Association's accounts.
- (4) 'Jersey Tourism' must be recognised as a sponsor in all press releases, media broadcasts and public addresses.
- (5) The Association will produce an annual progress report and financial forecast.
- (6) The Association will participate in the Department's performance monitoring surveys.
- (7) If that the grant is used for purposes other than work relating to the approved business plan, the Department may demand that the grant be refunded either in full or in part.

### **Additional grants in 2006**

157. As set out in the chronology in section 3 of this report, the Department agreed to make additional funds available to the Association for the 2006 Battle. These additional amounts were as follows:

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- (1) A grant of £50,000; and
- (2) A further grant to a limit of £45,000 of an amount to match pound for pound corporate sponsorship arranged by the Association.

158. I will deal with the circumstances surrounding each of these two sums of money below.

**Additional grant of £50,000:**

159. All of the parties involved in this matter recall that the further grant of £50,000 was to be paid for two specific purposes:

- (1) An improvement in the carnival aspects of the parade.
- (2) The arrangement of proper marketing advice and support for the Association.

160. Although this is the recollection of the parties involved in the discussions, these conditions were not specified in a partnership agreement such as that which applied to the "basic" grant of £95,000. It has been represented to me that a letter sent to the Chairman of the Association on 24 February 2006 by Mr de Carteret, the Department's Director of Tourism and Marketing, specified the principal conditions surrounding the additional grant of £50,000. Paragraph 3 of the letter begins as follows:

*"The key point is that the new money should not be seen as simply a top up for those elements of the Association's budget which are currently short of funding. The new money will only be available if the Association can demonstrate that it can deliver the improvements which have been highlighted. You will recall that Daniel Austin from the Jersey Arts Centre was present at our meeting together with Donna [Le Marrec] and had some extremely positive suggestions as to how the parade and carnival activities even for this year might be significantly improved."*

161. Later the letter reads:

*"Turning to the marketing objectives, we are concerned that both visitors and local attendees appear to be reducing. This is a trend which must be reversed through an expanded marketing programme. We would suggest in the first instance that the 2006 Battle needs to look and feel different from its predecessors in order to create more interest and therefore the desire to attend. To some extent this could be achieved from a new parade and carnival ideas but we suggest in addition an increased marketing programme to enhance awareness and encourage numbers."*

162. In my view, the recording of the terms of this grant and, as importantly, the Association's acceptance of them were not properly recorded.

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**Matching grant of £45,000**

163. It is common ground between all the parties that this further amount would only be paid to the extent that it matched corporate sponsorship arranged by the Association. As far as I can discover the formal terms on which this offer were made are nowhere captured in formal correspondence between the Department and the Association.
164. It has been suggested to me that the existing agreement between the Association and the Department was sufficient for these purposes. I do not agree. The agreement refers only to an annual grant of £95,000. It does not refer in any way to the payment of £45,000 with which I am concerned here. As a result it does not refer to the purpose of the payment or the conditions on which it was made. This is not satisfactory.
165. The only written confirmation of the purpose of this grant before the day of the 2006 Battle takes the form of Mr de Carteret's manuscript annotation of the Department's Purchase Order which refers to the arrangement for a celebrity to attend the 2006 Battle. I have not been able to find any written communication with the Association setting out the conditions attaching to the grant or any written confirmation from the Association confirming acceptance of the conditions.
166. I note that the Minister signed a Ministerial Decision on 27 September 2006 (ie more than a month and a half after the Battle) which described the purpose of the payment as follows:
- "The funds are being given to the Battle of Flowers Association to assist with the development of the event in line with the aspirations of the Department and the Association."<sup>49</sup>*
167. This does not reflect accurately the memories of people who were involved in discussions over this payment in June and July 2006. They recall that the payment was made to finance the invitation to a celebrity and this is what is recorded in Mr de Carteret's annotation of the Purchase Order form that he raised.
168. It is true that the Council's minutes record that efforts were made to arrange matching commercial sponsorship and to make arrangements for the Battle to be attended by a celebrity. But it is also clear from the minutes that the Council was not clear about the precise nature of the obligation it was assumed to have accepted.

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<sup>49</sup> Ministerial Decision MD-E-2006-0164

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169. The full amount of this grant was paid notwithstanding that the Association had not arranged the matching corporate sponsorship and that, at that point, the Association had not contracted for the attendance of a celebrity at the 2006 Battle.

170. I understand that decision to make the payment was made by Senator Philip Ozouf, the Minister, without previously seeking the Department's advice.

171. In the event, as I have shown, the grant was paid from the Tourism Development Fund as the Department's budget was fully committed and notwithstanding what I understand were misgivings on the part of the Fund's Advisory Panel (albeit unminuted).

### **Findings**

172. Whilst it is possible to understand the desire to ensure that the Battle is successful, the practice of offering grants orally subject to certain conditions, failing to record those conditions properly and then making cash payments even if the conditions are not met can only serve to encourage recipients to ignore any conditions attaching to grants from States departments.

173. The final payment of £45,000 is only one example of this. After all, the partnership agreement between the Department and the Association specifies that:

*"The Association will ensure that robust corporate governance principles have been agreed and are in place".*

174. It is evident from the analysis set out in this report that the Association has failed to meet this obligation.

175. In 2006, the result appears to have been that the Association was provided with funds that it proved unable to spend wisely.

**Recommendation 6: In principle, the States should not make further grants available to the Association until the Association has implemented reforms intended to achieve the recommendations set out in this report.**

176. The experience of 2006 demonstrates that the Association's organisation does not justify confidence that the Department's grant will be spent wisely. Consequently, the States would be ill advised to make further grants to the Association until reforms intended to achieve the purpose of the recommendations set out in this report have been implemented.

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177. I recognise that it will take some time to agree the necessary reforms with the Association and to implement them with the result that there may be insufficient time for this to happen before the 2007 Battle. As the Battle of Flowers is an important event in projecting the Island's reputation and is valued by many of the Island's people it may be desirable to allow the Association some time to implement this report's recommendations.

**Recommendation 7: The normal arrangements concerning offering and making grants should apply to Ministers as well as departmental officials.**

178. Where grants are offered subject to conditions, oral offers should be confirmed in writing so that no doubt is permitted over the nature of the conditions. Similarly, where a Minister makes a decision against the advice of a Department's Accounting Officer, it is important that both the decision and the advice are formally recorded as otherwise the possibility is created that either or both the decision and the advice will be misunderstood.

C Swinson  
Comptroller & Auditor General  
Morier House, St Helier, Jersey, JE1 1DD

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*APPENDIX 1 ~ TERMS OF REFERENCE*  
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*These terms of reference for the review were made known to involved parties at its commencement.*

1. This review is commissioned in accordance with the powers of the Comptroller & Auditor General as set out in the Public Finances (Jersey) Law 2005 to take place in the light of:
  - (1) the recent grant of funds to the Battle of Flowers Association ('the Association') from the Economic Development Department;
  - (2) public concern about the organisation of the 2006 Battle of Flowers;
  - (3) public concern about the way in which the Association reached decisions concerning the 2006 Battle of Flowers and managed its relationship with certain commercial organisations; and
  - (4) public concern about the manner in which the Association incurred financial liabilities.
  
2. The purpose of the review is to examine:
  - (1) the circumstances surrounding the public concern mentioned in paragraph 1 above;
  - (2) the constitution and governance arrangements of the Association and their fitness for purpose;
  - (3) the internal control arrangements within the Association with particular regard to the assumption and discharge of liabilities;
  - (4) the organisation of the Association and its arrangements for the execution of the decisions of its Council and its officers;
  - (5) the manner in which the Economic Development Department ('the Department') decided to grant funds to the Association and in which the Department specified how its relationship with the Association should be conducted (for example in a Service Level Agreement or a Partnership Agreement); and
  - (6) any other detailed matters that appear relevant to items (1) to (5) above and the issues to which paragraph 1 above refers.
  
3. The outcome of the review will be a report prepared and published in accordance with the provisions of the Public Finances (Jersey) Law 2005.
  
4. I intend that this report will be completed and published by the end of September 2006.

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*APPENDIX 2 ~ LIST OF INTERVIEWEES*  
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**Battle of Flowers Association Council and Officers**

- S Cooke
- J Farley - President
- M Farley
- Mrs M Fitzgerald
- Mrs D Le Marrec
- M Leonard
- Mrs F Roberts
- G Roberts – Treasurer
- B Pallot – Chairman
- T Avery – Executive Officer

**Economic Development Department**

- D De Carteret – Director of Tourism
- M King - Chief Officer
- Mrs D Le Marrec
- K LeMasney - Strategic Development Manager
- Senator Ozouf - Minister

**Exhibitors**

- C.Ahier – Trinity Parish
- Mrs P. Clarke – St Peter’s Parish
- Mrs L. Latham
- Miss Ainslie Le Brun - Trinity Parish

**Others**

- E Baker – NatWest Bank, St Helier
- S Phillips – Alex Picot, Chartered Accountants



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 APPENDIX 3 ~ REVIEW OF CORPORATE GOVERNANCE  
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*This table sets out a comparison between the governance arrangements within the Jersey Battle of Flowers Association and the provisions of 'Good Governance: A Code for the Voluntary and Community Sector'. This Code was developed by the Association of Chief Executives of Voluntary Organisations and the National Council of Voluntary Organisations among others. The reasons for choosing this Code for purposes of benchmarking the Association's arrangements are explained in the text of the report. Provisions of the Code that do not appear directly relevant to the Association have been omitted from the comparison.*

*An overall assessment of this comparison is set out in the text of the report.*

	<i>Detailed provisions of ACENVO's Code that appear relevant to the Jersey Battle of Flowers Association</i>	<i>Extent to which the provisions of the ACENVO Code are satisfied by arrangements within the Jersey Battle of Flowers Association</i>
1	<p><b>COMPLIANCE ~ INTERNAL CONTROLS</b></p> <p>The Board should set and maintain standing orders, systems of financial control, internal control, performance reporting and policies and procedures.</p>	<p>The Council does not appear to have reviewed or set down systems of internal control, policies or procedures. These have been left largely to the Executive Officer to prescribe.</p> <p>The Board would be able to decide that financial reporting to it is inadequate, but again this appears to have been left largely to the Executive Officer or, during 2005-2006 to the Treasurer.</p>
2	<p>The Board should ensure that there is a system for the regular review of the effectiveness of its internal controls. Larger and more complex organisations should set up an audit committee and should also consider the use of an internal audit services.</p>	<p>There is an annual external audit and the audit partner attends annually to report to the Council.</p> <p>Otherwise, there have been no reviews of systems.</p> <p>There is no audit committee, but the Association is not a complex organisation.</p>

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3	<p><b>COMPLIANCE ~ MANAGING RISK</b></p> <p>The Board must avoid undertaking activities which might place an undue risk on the organisation, service users, beneficiaries, volunteers, staff, property, assets or reputation.</p>	<p>I am not aware of any evidence that the Board has not done this.</p>
4	<p>The Board should undertake a full risk assessment either periodically or on a rolling basis and take appropriate steps to manage the organisation's exposure to significant risks. The Board should take account of that responsibility for dealing with and managing conflicts that may arise within the organisation.</p>	<p>The Board does not undertake a risk assessment of this type. The Executive Officer prepares a risk assessment for the annual Battle. I have not seen evidence that this has been examined closely by Council although I understand that when individual members of Council have asked about the assessment, they have been given copies.</p> <p>There is no regular review of the strategic risks facing the Association although from time to time thought has been given by Council to the future of Battle.</p> <p>The absence of regular reviews leaves a possibility that some Council members may not appreciate the risks facing the Association.</p>
5	<p>The Board should take responsibility for dealing with and managing conflicts that may arise within the organisation.</p>	<p>It is evident that there were conflicts between Mr Roberts and other members of the Council and the Executive Officer. The evidence for this and of the steps taken to deal with the consequences are set out in sections 3 and 4 of the report.</p>
6	<p><b>THE BOARD ~ TRUSTEE DUTIES AND RESPONSIBILITIES</b></p> <p>The Trustees should understand their duties and responsibilities and should have a statement defining them.</p>	<p>No formal statement exists (other than the constitution of the Association).</p> <p>There appears to be no regular process of making sure that Council members understand their responsibilities. This is potentially a problem in view of the Council's practice of delegating a great deal of executive action to sub-committees of whose meetings no minutes are kept.</p> <p>Council members comment on or complain about the length of Council meetings.</p> <p>Allocation of responsibilities to individual members is one of the Chairman's tasks.</p> <p>During 2005/2006, it is apparent that too many tasks were allocated to or assumed by Mr Roberts who, apart from acting as Treasurer was also dealing with the hire of celebrities and arrangements for corporate</p>
7	<p>The Board should organise its work to ensure that it makes the most effective use of the time, skills and knowledge of Trustees.</p>	<p>Council members comment on or complain about the length of Council meetings.</p> <p>Allocation of responsibilities to individual members is one of the Chairman's tasks.</p> <p>During 2005/2006, it is apparent that too many tasks were allocated to or assumed by Mr Roberts who, apart from acting as Treasurer was also dealing with the hire of celebrities and arrangements for corporate</p>

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		<p>hospitality. Mr Roberts was regularly asked to report on these tasks, and did so. The effect of these reports and the action taken by the Association's officers are described in sections 3 and 4 of the report.</p>
8	<p><b>THE BOARD ~ EFFECTIVENESS</b></p> <p>The Board should meet regularly and ensure that its work is focused on delivering its strategic role.</p>	<p>The Council meets frequently (at least monthly). Its work is not focussed on 'strategic matters'. Because much work is done by sub-committees whose meetings are not recorded, much time is spent reporting detailed actions and discussing detailed arrangements for the Battle.</p> <p>During 2005/2006, Council appears to have found some decision-taking difficult. Matters have been deferred to subsequent meetings rather than being drawn to a conclusion.</p> <p>I cannot comment as I have not attended any Council meetings.</p>
9	<p>The Chair should ensure that all Trustees contribute at meetings and that the proceedings are not dominated by a particular Trustee.</p>	
10	<p><b>THE BOARD ~ INFORMATION AND ADVICE</b></p> <p>The Board should ensure that it conducts its work efficiently and receives the information and advice it needs to make good decisions. Board papers should be timely, well presented and circulated well in advance of board meetings and should make clear recommendations to the Board.</p>	<p>The pattern of working of Council does not appear efficient as evidenced by deferral of decisions (eg the deferral of a decision on the proposal that Mr Ian Wright should be invited to attend Battle) and the discussion of detail.</p> <p>Financial reports have been tabled rather than circulated in advance.</p> <p>Reports of ticket sales do not include helpful comparative information so that judgements about the trend of sales are not easy. The information that is provided includes information from previous years which is not strictly comparable. The reason for this is that the information is retained by reference to dates of Council meetings. As the dates of Council meetings vary from year to year, some distortion of the comparisons will occur.</p>

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11	<p><b>THE BOARD ~ SKILLS AND EXPERIENCE</b>                  Depending on the organisation's size and the nature of its activities the experience of Trustees should, as appropriate, cover all significant areas.</p>	<p>For some years, the Council did not include a Treasurer, anyone experienced in events management (other than the Association's own staff) or anyone experienced in marketing. Moreover, in some years (eg 2005/2006) there has been no Vice-Chairman.</p> <p>The absence of a Treasurer is explained by the fact that no candidates put themselves forward for election. However, the absence of a Treasurer is such a great weakness in governance that the Officers of the Association should have made it their business to ensure that a Treasurer was found.</p> <p>A similar explanation has been given for the absence of a Vice-Chairman. However this omission is also serious partly because of the pressure it places on the Chairman and partly because it means that succession is more difficult to arrange and plan.</p>
12	<p>The Board should have a diverse group of Trustees broadly representative of the community and membership it serves.</p>	<p>The Council largely consists of people who have been involved for many years in float building and in this sense is not diverse or representative of all stakeholders.</p> <p>For example, there have not been members who represent the non-float building audience for Battle or the commercial community of the Island.</p>
13	<p><b>THE BOARD ~ DEVELOPMENT AND SUPPORT</b>                  All new Trustees should undergo a full induction in which they receive all the information and support they need to carry out their new role and meet key staff, users and beneficiaries and other stakeholders.</p>	<p>This is not done. Some members of Council have told me that they have not seen the constitution of the Association. Certainly there is no formal process to ensure that members of Council meet key stakeholders. On the other hand, the Island is a small community and some informal relationships undoubtedly exist which mitigate this weakness.</p>

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14	<p><b>THE BOARD ~ THE CHIEF EXECUTIVE</b></p> <p>The Board should ensure that formal arrangements are set up for the regular supervision, appraisal and personal development of their Chief Executive. This may be carried out by the Chair and other Trustee or by a small group of Trustees.</p>	<p>I have not found evidence of any formal discussion about this by Council. In practice, this is a matter that has been left to the Chairman. From time to time, some members of Council and some stakeholders have made representations to the Chairman about the appraisal of the Executive Officer, but there has been no formal reporting to Council on this subject.</p> <p>This weakness is especially important in view of the two roles that were for many years combined by Mr Avery (Executive Officer and Treasurer) and the difficult relationship between him and the Treasurer during 2005/2006.</p> <p>This matter appears to have been dealt with by the Chairman acting alone.</p>
15	<p>The Board should ensure that there is a formal mechanism for setting the remuneration of the Chief Executive which should be ratified by the Board.</p> <p><b>BOARD REVIEW ~ PERFORMANCE APPRAISAL</b></p> <p>The Board should regularly review and assess its own performance, that of individual Trustees and of sub-committees, standing groups and other bodies.</p> <p><b>BOARD REVIEW ~ RENEWAL AND RECRUITMENT</b></p> <p>The Board should have a strategy for its own renewal. Recruitment of new Trustees should be open and focused on creating a diverse and effective Board.</p> <p><b>BOARD REVIEW ~ REVIEWS OF THE ORGANISATION'S WORK</b></p> <p>The Board should periodically carry out strategic reviews of all aspects of the organisation's work and use the results to inform positive change and innovation.</p> <p><b>BOARD DELEGATION ~ CLARITY OF ROLES</b></p> <p>The Board should define the roles and responsibilities of the Chair and other honorary officers in writing.</p>	<p>There is a de-briefing meeting after each year's Battle to review what has gone well and what has gone badly.</p> <p>I have not found evidence of discussions of this subject by the Council. In particular, I have not found evidence of Council discussions of the absence and need for a Treasurer (apart from Mr Avery). To the extent that active recruitment of new Council members has been considered, it has been a matter for the Chairman, advised by the Executive Officer.</p> <p>There is a de-briefing meeting after each year's Battle to review what has gone well and what has gone badly.</p> <p>I can find no evidence of definitions of these roles having been approved by the Council during the last three years.</p> <p>I think that this is surprising in view of the fact that the Executive Officer also acted as Treasurer for much of this period.</p>
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20	<p><b>BOARD DELEGATION ~ EFFECTIVE DELEGATION</b></p> <p>The Board should ensure that staff volunteers and agents have sufficient delegated authority to discharge their duties. All delegated authorities must have clear limits relating to budgetary and other matters.</p>	<p>There are terms of reference for sub-committees and the constitution gives sub-committee chairmen considerable authority. Arrangements for reporting are weak, however. For example, problems have arisen because sub-committee chairmen have accepted commitments on behalf of the Association which have not been known to the Association's Executive Officer or Council. This appears to have occurred during 2005/2006 in respect of the acceptance of a commitment to Mr Ian Wright's agent and the acceptance of a commitment to Vibert Marquees.</p>
21	<p><b>BOARD DELEGATION ~ TERMS OF REFERENCE</b></p> <p>The Board should set clear terms of reference for sub-committees, standing groups and advisory panels etc.</p>	<p>Such terms of reference exist for almost all sub-committees.</p> <p>However, during 2005/2006, a 'Future of Battle' sub-committee was established which was to deal with steps to honour the funding arrangements with the States and the Council's minutes do not record the Council's agreement to formal terms of reference for that sub-committee.</p>
22	<p><b>BOARD DELEGATION ~ MONITORING</b></p> <p>All delegated authorities must be subject to regular monitoring by the Board. In particular, honorary officers and other Trustees should report back to the Board promptly on any use of delegated authority.</p>	<p>Sub-committee chairmen are expected to report to each meeting of the Council as are Officers (eg the Chairman and the Treasurer). The Council minutes record that this was done. The minutes also record that (during 2005/2006) one sub-committee chairman was replaced because no reports were forthcoming.</p> <p>However, it is also clear that some decisions and actions were not reported to the Council (see comment above on effective delegation).</p>
23	<p>The Board should receive regular reports and minutes from all sub-committees.</p>	<p>Minutes are taken of all Council meetings. However, a number of Council members have commented/complained about their belief that the minutes are not reliable records of business transacted at meetings and are manipulated by the Executive Officer and that when the minutes are presented for approval remonstrations about this are ignored or are ineffective.</p> <p>Sub-committee reports are given to each meeting of Council.</p> <p>Minutes are not taken of sub-committee meetings. In some cases, this has not caused concern (eg there is no evidence that the absence of minutes of the Exhibitors' committee has caused difficulty). In other cases, especially</p>

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		where a sub-committee has been concerned with more commercial matters (eg the Future of Battle sub-committee) this has been a serious weakness. The Executive Officer makes reports to Council meetings. However, many Council members have commented/complained to me of a lack of openness on the part of the Executive Officer concerning the work of the Association's office and certain parts of his activities. For example, concerns have been expressed about a lack of openness about negotiations about various contractual matters.
24	The mechanisms established for internal control on performance reporting should be used to monitor use of delegated authority by the Chief Executive or other staff or volunteers.	
25	<b>BOARD AND TRUSTEE INTEGRITY ~ NO PERSONAL BENEFIT</b> Trustees should not benefit from their position beyond what is allowed by the law and is in the interests of the organisation. In particular, Trustees must be scrupulous to avoid gaining any private benefit from their position, whether financial or other except as permitted by law and the organisation's governing document and whether it is agreed by the Board as demonstrably in the interests of the organisation.	I have found no evidence of Council members receiving inappropriate benefits.
26	<b>BOARD AND TRUSTEE INTEGRITY ~ CONFLICTS OF INTEREST</b> Board members should identify and promptly declare any actual or potential conflicts of interest affecting them.	I have seen no evidence in the Council minutes of such conflicts being declared.
27	There should be clear guidelines for receiving gifts or hospitality by Board members.	I have not found evidence that such guidelines exist.
28	<b>BOARD OPENNESS</b> The Board should identify those with a legitimate interest in the organisation's work, i.e. (stakeholders) and ensure that there is a strategy for regular and effective communication with them about the organisation's achievements and work.	The reactions of outsiders with a legitimate interest suggest that the Council does not communicate well.
29	The Board should be open and accountable to stakeholders about its own work and the governance of the organisation.	The reactions of outsiders with a legitimate interest suggest that the Council is not open and accountable to stakeholders.
30	The Board should encourage and enable the engagement of key stakeholders such as users and beneficiaries in the organisation's planning and decision making.	The Council accepted a proposal that a representative of the States' Economic Development Committee should be co-opted (during 2005) but would have been more effective if the Council's internal reporting and accountabilities has been more effective.

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*This table sets out a comparison between the internal control arrangements of the Jersey Battle of Flowers Association and the provisions of guidance issued by the Charity Commission of England and Wales. The reasons for choosing this guidance for purposes of benchmarking the Association's arrangements are explained in the text of the report. Provisions of the guidance that do not appear relevant to the Association have been omitted from the comparison.*

*An overall assessment of this comparison is set out in the text of the report.*

	<i>Detailed provisions of the Charity Commission guidance that appear relevant to the Jersey Battle of Flowers Association.</i>	<i>Extent to which the provisions of the Charity Commission guidance are satisfied by arrangements within the Jersey Battle of Flowers Association.</i>
	<b>GENERAL</b>	
1	Board members should ensure that the organisation keeps proper books and records and that annual accounts are prepared.	The keeping of the Association's books and records is a responsibility of the Executive Officer. This is checked by the auditors annually and, presumably, any deficiencies would be brought to the Council's attention by the auditors.
2	The Trustees should also consider producing an Annual Report.	The Association publishes a Chairman's Report which accompanies the audited accounts. Copies of these documents are available to the public following the Annual General Meeting.
3	Trustees should ensure that the accounts are subjected to external scrutiny.	The Association's Annual Accounts are audited by Alex Picot, Chartered Accountants.
4	Trustees should formally approve the organisation's annual report and accounts.	The Council approves the audited accounts for presentation to the Annual General Meeting.
5	All Trustees should be provided with copies of the charity's report and accounts.	This is done.
6	New Trustees should be given a copy of the latest accounts on appointment together with other essential documents (e.g. the governing document or constitution).	This is not done. However, members of Council are required by the constitution to members of the Association and in most cases will have been elected at an Annual General Meeting and, if they attended that Meeting will have seen the accounts, but not necessarily the constitution.
	<b>BUDGETARY CONTROLS</b>	
7	To achieve full control over an organisation's finances it is necessary to work within an agreed budget and to undertake full financial planning. Proper and realistic estimates of expected income and expenditure need to be made for each financial year.	Copies of the constitution are held in the office. On election, a new member of Council is welcomed by the Chairman and told where help may be found.  Annual budgets are prepared by the Treasurer (2005/2006 by Mr Roberts and previously by Mr Avery) and considered by Council.  It is difficult to guarantee a disciplined acceptance of budgets by all sub-committees.



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8	<p><b>INCOMING FUNDS</b></p> <p>Board members are under a duty to take control of and to safeguard all funds to which the charity becomes entitled.</p>	<p>I am not aware of any attempt by Council members to check the nature of the internal controls in this area.</p>
9	<p><b>RECEIPTS BY POST</b></p> <p>The controls to be considered include:</p> <p>(a) incoming post should be opened at the earliest opportunity and in the presence of two responsible persons.</p> <p>(b) all incoming cheques and cash need to be recorded immediately and entries verified by someone other than the person who has made the entry.</p> <p>(c) where charities have neither premises nor paid staff, trustees should ensure that all donations are sent to a central point and that a book is kept to record receipt of all mail with money enclosed.</p> <p>(d) rotation of post opening staff ought to be considered where practical.</p> <p>(e) security of unopened mail should be ensured.</p>	<p>The Association only employs two members of staff so that rotation and segregation of functions are not possible. A separate book is not kept to record cash/cheques received by post although they are entered in the accounting system.</p> <p>In effect, the system can only rely upon the integrity of the Association's staff.</p>
10	<p><b>FUND-RAISING EVENTS</b></p> <p>The controls to be considered include:</p> <p>(1) records should be maintained for each fund raising event in sufficient detail to identify gross receipts and how they have arisen and all costs incurred. For all events for which there is ticket income or gate money ensure that all tickets are pre-numbered.</p> <p>(2) a record is kept of all persons who have been issued with tickets to sell and which ticket numbers have been allocated to them.</p> <p>(3) a record is kept of which tickets have been sold.</p> <p>(4) a reconciliation is made of receipts against tickets sold.</p>	<p>These controls would be appropriate for takings in respect of Battle itself.</p> <p>Tickets are sold directly by way of the Internet, telephone, postal applications and ticket booths both before the Battle and on the day of Battle. They are also sold indirectly. In 2006, this was one by way of Post Offices and previously through the good offices of British Home Stores.</p> <p>Tickets are pre-numbered.</p> <p>Sales by way of the Internet, telephone and postal applications are directly controlled by the Association's office and can be reconciled to records of ticket numbers.</p> <p>Sales by way of the ticket booths can be reconciled in a similar manner. Control over cash takings will be considered below.</p> <p>Sales through Post Offices are reported by Jersey Post and the takings can be reconciled to records of pre-numbered tickets issued.</p> <p>All of these reconciliations are subject to review and check by the Association's auditors.</p>

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11	<p><b>BANKING AND CUSTODY PROCEDURES ~ GENERAL</b></p> <p>Incoming receipts should be banked regularly and as soon as possible (ie at least weekly).</p> <p>Frequency of banking will depend on the amount of cash received. Keeping cash in a locked box is really only suitable for small amounts of money.</p> <p>Cash or cheques should be placed in a safe or locked cash box if they cannot be banked on the day of receipt. The keys to any safe or cash box should be held by a nominated officer. We advise that they are signed for whenever they are used. Insurance cover should be obtained to cover cash held in the safe or cash box up to a specified limit.</p> <p>All incoming money should be banked gross. No amount should be held back for feeding petty cash.</p> <p>There should be a written statement of policy and practice governing banking and custody procedures which is available to all trustees and staff.</p> <p>The money of the charity should be kept quite separate from any individual's personal money. Trustees should consider the safety of getting money to the bank, especially if an amount of significant sums of cash are involved. Insurance cover should be considered to cover cash in transit.</p> <p>Controls should be maintained over receipt books issued by the organisation both in terms of accounting for all receipts issued and for stocks of receipt books.</p>	<p>Receipts are banked regularly. Separate arrangements exist for takings on the day of Battle and amounts due from the Funfair associated with Battle.</p> <p>Satisfactory controls appear to be applied.</p>
12	<p><b>BANKING AND CUSTODY PROCEDURES ~ WEEK OF BATTLE</b></p> <p>The above controls should apply.</p>	<p>Cash and other receipts taken on the day of Battle are collected by Securitor. They are then called from Securitor as and when the Association's staff are able to count them. When counted, the takings are then banked.</p> <p>At one time, it was the Association's practice for Securitor to deliver the takings directly to a bank which would count and deposit them in an appropriate account. When the bank experienced difficulty in finding volunteers for this work, the current arrangements were initiated.</p>

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		<p>The sums due to the Association from the Funfair (£35,000 each year) are paid in two equal sums: before the week of Battle and after the week of Battle. The cash is handed to the Association's staff at the office. They count and deposit it in the Bank.</p> <p>The weakness of these arrangements is that they rely upon the integrity of the Association's staff. Whilst an attempt can be made to reconcile cash takings to the issue of pre-numbered tickets, the risk of misapplication of receipts remains.</p> <p>All of these procedures are subject to review and check by the Association's auditors. As the auditors have signed unqualified reports on the Association's accounts, this suggests that they have been able to complete satisfactory reconciliations of the Association's income.</p>
13	<p><b>CHECKS OF INCOMING RECEIPTS</b></p> <p>Trustees should make regular checks to ensure that receipts are being accurately maintained so that money and other assets received can be traced through the accounting system.</p> <p>Frequent random spot checks should be made to ensure that:</p> <ul style="list-style-type: none"> <li>(a) records of cash and cheques received agree with bank paying in slips.</li> <li>(b) paying in slips equate with the bank statements both in terms of amount, banked and date of credit.</li> <li>(c) all transfers or other direct payments into the bank can be identified and verified against documentary evidence.</li> </ul> <p>These checks should be made by someone other than the person concerned with the original recording of the transactions.</p>	<p>Such checks are not made.</p> <p>In view of the amounts of cash that pass through the Association's office in a short time, the fact that such checks are not made is a matter for regret. They would serve as a protection for the staff on whose integrity the Council relies.</p> <p>Ideally such checks would be made by the Treasurer. Unfortunately, for some years the Executive Officer also acted as Treasurer. During 2005-2006, the difficulty in the relationship between the Executive Officer and the Treasurer would have rendered such checks difficult to arrange.</p> <p>Other members of Council have suggested that the Executive Officer resisted their interest in the accounting records. Mr Avery denies this.</p>

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14	<p><b>CONTROLS OVER EXPENDITURE</b></p> <p>All expenditure and investment of charitable funds should be promptly authorised and it is essential that there is supporting documentation for all items of expenditure.</p> <p>Instruments of payment should be kept in safe custody with access limited to nominated persons.</p> <p>The preparation of documentation for authorisation should be undertaken by someone other than the persons authorising the payment.</p> <p>Charities should have a written statement of policy in practice covering payment procedures which should be available to Trustees and staff. This should cover instructions on who is authorised (and in what circumstances and up to what limit) to place orders of contracts or to incur any liability on behalf of the charity.</p>	<p>In effect, all expenditure is subject to the control of the Executive Officer. Paragraph 14 of the Constitution is somewhat unclear in its drafting but may imply that decisions over a set amount require approval by others nominated by Council. In practice, this control is applied by way of the signing of cheques.</p>
15	<p><b>CONTROLS OVER PURCHASES</b></p> <p>Trustees have a responsibility to ensure that adequate checks are made to both confirm that purchases have been properly authorised and the goods or services or order have actually been received:</p> <ul style="list-style-type: none"> <li>(a) invoices received should be checked against orders made.</li> <li>(b) records kept of orders placed but not yet carried out.</li> <li>(c) the quality and quantity of goods supplied should be inspected to ensure that they correspond with orders placed.</li> <li>(d) regular stock taking should be undertaken.</li> <li>(e) authorisation for the placing of orders should be documented; payments should only be made against original invoices.</li> </ul>	<p>As section 14 above.</p>

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	<b>PAYMENTS BY CHEQUE</b>	
16	<p>Trustees should avoid any relevant clause in their governing documents specifying who are the people authorised to sign cheques.</p> <p>The bank mandate should specify at least two signatures as Trustees signatories unless the Trustees can reasonably claim that some other regime must be followed as a matter of operational necessity. It is always advisable to have a pool of people authorised to sign cheques which is greater in number than the minimum number of signatories required on the mandate.</p> <p>Cheques made payable to a nominated signatory should not be signed by that person.</p> <p>Close control should be exercised over access to the cheque books.</p> <p>It is preferable to avoid a situation where related Trustees are able to sign cheques together.</p> <p>It is a dangerous breach of financial control over expenditure from charity funds if banked cheques are signed in advance. The agreed limits for individual signatories should be recorded in the bank mandate and circulated amongst the Trustees.</p> <p>All cheque expenditure should be recorded in the cash book and cross referenced to the cheque number with the nature of the payment and the payee clearly identified. All cheque book stubs should be completed at the time of payment and retained.</p> <p>Regular spot checks should be made of the expenditure records against primary documents such as invoices.</p>	<p>Paragraph 14 of the constitution is somewhat unclear in its drafting but is understood to apply to cheque signing and specifies that cheques should be signed by any two of the Chairman, Treasurer, Vice Chairman or Executive Officer subject to the provisions of paragraph 13 which provides that the Executive Officer is authorised to spend money to a sum to be agreed by the Executive Council.</p> <p>The mandate specifies that cheques to a limit of £1,000 should be signed by the Executive Officer. In addition to being signed by the Executive Officer, cheques above that limit should also be signed by the Association's Chairman and the Treasurer. As explained in the text of the report some difficulty arose during 2005-2006 over the addition of the Treasurer's name to the mandate.</p> <p>The mandate does not make this provision since all cheques must be signed by the Executive Officer. However, I understand that the mandate in its current form has been in force for many years and has not been questioned by the Council.</p> <p>Cheque books are held in safe keeping in the Association's office.</p> <p>This is achieved by the mandate given the identity of current officers.</p> <p>It is evident that cheques are not signed in advance. Limits on signing authority are recorded in the mandate.</p> <p>This is appropriately done.</p> <p>The comments made above on who might undertake these checks also apply here. It is a matter for regret that such checks have not been made.</p>

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	<p><b>PAYMENT OF CASH</b>          Every effort should be made to reduce the need for cash payments to an absolute minimum.</p> <p>All cash payments should be made from a cash float of a fixed amount which is regularly replenished from the Bank and not by the retention of incoming funds. All claims for replenishment of the cash float should be backed up by supporting documentation and signed by the Cashier.</p> <p>The supporting documentation should be authorised by someone other than the Cashier or claimant. Regular spot checks of petty cash floats should be made by an authorised person independent of the Cashier.</p>	
17	<p><b>WAGES AND SALARIES</b>          Personnel records should be kept for each member of staff separately from the pay records.</p> <p>Where payments are made in cash these should be paid out by someone other than the person making up the payroll.</p> <p>Trustees need to ensure that employees have a proper contract of employment and that individuals are not incorrectly classified as self employed.</p> <p>Proper procedures should be enforced for payment of expenses, Trustees, employees and volunteers.</p> <p>Procedures should be in place to ensure that control systems are not threatened where a member of staff is absent or leaves.</p>	
18		<p>There is a separate file of correspondence relating to personnel matters.</p> <p>Contracts of employment exist for each of the Association's two members of staff and are mentioned in the minutes of the Council's meeting on 8 January 2004. I understand that a copy of each contract has been in the relevant file since then.</p> <p>Council members have commented/complained that they have not been able to inspect the contracts of employment for the two members of the Association's staff. Whether or not it is appropriate for Council members to see the contracts, copies exist within the Association's files.</p>

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19	<p><b>CHECKS ON EXPENDITURE RECORDS</b></p> <p>Random spot checks should be made to verify that:</p> <p>(a) records of payments made either by cheque stubs, paid invoices or other authorisations in accordance with budgets.</p> <p>(b) cheques have been presented for payment by the Bank or Building Society as shown by the statement.</p> <p>(c) standing orders and direct debit payments are in accordance with valid instructions given to the Bank or Building Society.</p>	<p>The comments made above on who might be able to undertake these checks also apply here. It is a matter for regret that checks of this type are not made.</p>
20	<p><b>CONTROLS OVER ASSETS ~ FIXED ASSETS</b></p> <p>A list of fixed assets should be held and updated regularly.</p> <p>All fixed assets should be checked at regular intervals to ensure they remain in good repair and of use to the charity.</p> <p>Trustees give due consideration to the need for insuring assets and to the extent of cover which is appropriate.</p> <p>The use made of fixed assets should be reviewed annually to ensure they are put to best use and effectively serve the interests of the charity.</p> <p><b>BANK OR BUILDING SOCIETY DEPOSITS</b></p> <p>A record of all Bank and Building Society deposits should be held in a safe place.</p> <p>Regular bank reconciliations take place and should be carried out by delegated employees; the Trustees need to ensure that this is being done.</p> <p>Instructions to open or close deposit accounts should be authorised by the whole Trustee body.</p> <p>Accounts should not be allowed to remain dormant.</p> <p>Statements should be sent to a nominated Trustee and made available for inspection by any Trustee.</p>	<p>Other than lists maintained for insurance purposes, lists are not maintained and in view of the limited number of assets held, may not be necessary.</p> <p>This is the responsibility of the Executive Officer and there appears to be no difficulty.</p> <p>This is the responsibility of the Executive Officer.</p> <p>In view of the limited number of fixed assets, there appears to be no difficulty here.</p> <p>The accounting records include records of all accounts.</p> <p>The Executive Officer is responsible for this. Comments above on who might be able to carry out such checks also apply here.</p> <p>Accounts have not recently been opened or closed.</p> <p>There are no dormant accounts.</p> <p>Statements are sent to the Association's office and are held there. Comments above on who might be able to carry out such checks also apply here.</p>
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Board members may consider it impracticable for them to undertake personally all of the checks and controls mentioned in this list. Accordingly they may consider the possibility of delegating certain tasks. However, where a control function is delegated Trustees should ensure that systems and procedures are in place to enable them to check that the necessary controls are in force and functioning correctly.