

**UNDER STRICT EMBARGO
UNTIL 0600 ON SATURDAY 8 SEPTEMBER 2007**

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

JERSEY OPERA HOUSE LIMITED

SEPTEMBER 2007

SECTION ONE ~ INTRODUCTION

1. Towards the end of 2006, the directors of The Jersey Opera House Limited (JOHL) invited me to undertake a review of its corporate governance organisation. The directors are concerned that the corporate governance of JOHL should, as far as possible, be beyond reproach. I accepted their invitation and commenced the review at the end of February 2007. The terms of reference for this review are reproduced as Appendix One.
2. The background to the States' support for the Opera House and the creation of JOHL is described in Appendix Three. In 2004, JOHL experienced a serious financial crisis which led to an appeal to the States' Education, Sport and Culture Committee for further financial support, the resignation of the existing board of directors, and the appointment of a new board. Since then, the directors have concentrated upon securing their company's financial future with, as will be seen, some measure of success.
3. JOHL has recently experienced a number of significant changes in staffing and management. A new Theatre Director has been appointed and took up post in January 2007. The board has agreed that the new Theatre Director should carry out a strategic review to identify any actions required to strengthen the overall governance arrangements at the Opera House and to report to the board with recommendations for action.
4. This review examined the overall corporate governance arrangements of JOHL on the basis of an examination of the relevant documents and interviews with the people who are listed in Appendix Two. I acknowledge the assistance that has been given to me during this review, particularly from the Board of Directors of Jersey Opera House Limited and the management team and staff at the Opera House.
5. The outcome of the review is set out under the following headings:
 - (1) JOHL's management arrangements (section three).
 - (2) JOHL's financial governance arrangements (section four).
6. But first, in section two, I will summarise my principal conclusions and recommendations.

SECTION TWO ~ SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

Principal conclusions

7. My principal conclusions are as follows:

- (1) JOHL's organisation is small. In consequence the formalities which might be expected of larger organisations would be unduly expensive. Furthermore, it should be appreciated that, in 2006, JOHL experienced a period of stress and difficulty during which it was important for the board to ensure that the company's business continued. Notwithstanding these factors, the review suggests that in most material respects the board has been and is demonstrating a serious desire to ensure that it satisfies the dictates of good corporate governance practice.
- (2) My overall conclusion is that JOHL's internal control arrangements are largely compliant with the guidance although the low numbers of staff in the Finance and Administration Office do not permit extensive segregation of duties.

Principal recommendations

8. My principal recommendations are as follows:

- (1) I recommend that JOHL's board should develop a code of conduct for board members both as guidance for new members of the board and as a benchmark against which to report annually.
- (2) I recommend that the Staff Handbook is reviewed and revised where necessary.
- (3) I recommend that the Trustees of the Phoenix Trust (see comment below) should consider publishing information about the Trust's formation, its intentions, its support for JOHL's activities and its financial management.
- (4) I further recommend that the Trustees of the Phoenix Trust (see comment below) should consider reporting directly to the original donors on these matters.
- (5) I recommend that the Trustees of the Phoenix Trust (see comment below) should consider contacting the individuals from whom pledges were received to inform them of the current position and to ascertain whether they may still wish to make a donation to the Trust.

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- (6) I recommend that steps should be taken by JOHL, Jersey Arts Trust, Jersey Property Holdings and the Department for Education, Sport and Culture (DfESC) to clarify the location and nature of responsibility for the management of the Opera House and the assets within it.
 - (7) I recommend that the board of JOHL should re-consider the current arrangement for the Seaton Place flats.
 - (8) I recommend that the interested parties (ie JOHL, Jersey Arts Trust, Jersey Property Holdings and DfESC) should consider how best the remaining unrefurbished parts of the Opera House may be returned to usable condition.
 - (9) I recommended that the current position regarding the outstanding loan should be considered by DfESC (in conjunction with The Treasury and Resources Department) to ascertain whether any financial benefit could be gained by changing the basis of the loan or rescheduling future repayments. This review should incorporate consideration of how to finance the further property expenditure mentioned above.
9. In making recommendations for consideration by the Trustees of the Phoenix Trust, I recognise that the Trust is private and separate from JOHL. These are matters which are entirely within the discretion of the Trust's Trustees.

SECTION THREE ~ MANAGEMENT ARRANGEMENTS

Introduction

10. In this section of the report, I will review JOHL's management arrangements.

JOHL ~ legal status

11. JOHL was incorporated as a private company under the Companies (Jersey) Law 1991 on 4 March 1998¹ and a board of directors was appointed by the Jersey Arts Trust with effect from that date. The initial authorised share capital of the Company was (and remains) £10,000 divided into 10,000 shares of £1.00 each.
12. When the company was formed each of the original six directors on the Board took one share in the company but these were subsequently transferred to the Jersey Arts Trust with the result that Jersey Arts Trust is now the sole shareholder of the company, with a holding of 1000 shares of £1 each.
13. The Jersey Arts Trust is an Association incorporated by an Act of the Royal Court dated 22 January 1993. It is committed to the development of the Island's culture and was therefore instrumental in supporting the refurbishment of the Opera House in the late 1990s to preserve the venue as an asset to the public in Jersey. Until recently the Jersey Arts Trust was also responsible for the distribution of grant aid to venues such as the Jersey Opera House. However, this role has changed following the implementation of the Island-wide cultural strategy and the appointment of the Cultural Development Officer. Grant funding is now provided directly from the Department for Education, Sport and Culture (DfESC) to JOHL.
14. Following the implementation of the cultural strategy and the agreement that grants would be provided directly to JOHL by DfESC the relationship between Jersey Arts Trust and JOHL has been more on an arm's length basis. However, Jersey Arts Trust remains the sole shareholder and as such the board of JOHL is accountable to Jersey Arts Trust.
15. The nature of the relationship and the respective responsibilities of the Jersey Arts Trust and the JOHL are examined further below.

¹ Certificate of Incorporation of a Limited Company – registered number 71063- in the name of 'The Jersey Opera House Limited'

Board members

16. When the original board of JOHL resigned at the end of 2004, a new board of directors was appointed. The new board has focused on addressing the financial difficulties that existed at the end of 2004 and on the need to restore financial discipline and to address the overall governance requirements for the future.
17. The directors are currently considering the addition of a further member or members. The Articles of Association do not specify a maximum period that any individual can serve as a director or any rules relating to rotation terms. However, the Jersey Arts Trust can provide written notice of the termination of a director's appointment.²
18. In particular, the board is currently considering the particular skills or experience that would be desirable in a new member in order to provide a well-balanced mix of skills and experience to support and maintain the effectiveness of the JOHL's board. In accordance with the requirements of the Articles of Association, the Jersey Arts Trust will be involved in the selection process and in recommending any new board members.

Board practices

19. In Appendix Four, I set out a comparison of JOHL's corporate governance practices with the provisions of 'Good Governance: A Code for the Voluntary and Community Sector' published by the Association of Chief Executives of Voluntary Associations. I have chosen this guidance as the benchmark for this comparison as it is used by the Arts Council of England as a guide to best practice.
20. JOHL's organisation is small. In consequence the formalities which might be expected of larger organisations would be unduly expensive. Furthermore, it should be appreciated that, in 2006, JOHL experienced a period of stress and difficulty during which it was important for the board to ensure that the company's business continued. Notwithstanding these factors, the review suggests that in most material respects the board has been and is demonstrating a serious desire to ensure that it satisfies the dictates of good corporate governance practice.

² Articles of Association paragraph 72(f)

Management team

21. During 2006 there were several changes within the management team. The posts of the former Theatre Director and the Deputy Theatre Director and of the Outreach Co-ordinator were vacant for several months during the latter part of 2006 and interim management arrangements were implemented with the support of a locum theatre manager. To compensate for the vacancies within the management team, board members decided that they were obliged to adopt a more interventionist role than would normally be expected and took personal responsibility for much of the day to day management of the Opera House and the control of its finances.
22. A new administrator and a book-keeper were appointed towards the end of 2006 and have been instrumental in bringing the financial and administrative records up to date and assisting with the implementation of improved systems for maintaining financial and other records. This has enabled financial and management information to be provided to the board in a more comprehensive format and on a more timely basis.
23. The new Theatre Director was appointed and took up post in mid January 2007. Her most immediate priorities were to ensure that the Business Plan for 2007 was finalised (which was necessary to secure the grant from DfESC for 2007) and to settle the forward programme of productions. This was necessary to ensure that a full and varied listing of productions would be available at the Opera House for 2007 and to ensure that the associated marketing and advertising could be arranged.
24. The Theatre Director has been asked by the board to carry out a strategic review. This review will include the current staffing and management arrangements and will consider whether the JOHL's team has the right mix of management, technical, financial and administrative skills available within its current structures for effective operations to be maintained. The strategic review will also consider the adequacy of the existing financial systems in terms of meeting the recognised need of the board to demonstrate accountability and good financial stewardship of JOHL funds.

25. When the strategic review has been completed and any recommendations implemented, the directors expect to be in a position to withdraw to some extent from their personal responsibility for the day to day administration of JOHL and the financial controls which proved necessary during 2006. This will enable the board members to focus more on policy issues and on the strategic planning and management tasks more normally associated with board membership.
26. At this point it would be appropriate for the board to prepare a code of conduct for board members both to provide guidance for new board members and to provide a benchmark against which the board can report annually. As far as possible, in preparing such a code, the board should use as a foundation existing guidance prepared by the States and should seek to obtain agreement to any proposed code from key stakeholders such as the Jersey Arts Trust and DfESC.
27. One of the matters that should be considered in preparing such a code is the extent to which the powers of the board may be exercised by individual directors under appropriately delegated authority. As I have explained above, the board became more involved in day-to-day management of JOHL and I am told that all members have been involved in all decisions. As more board members are appointed and the day-to-day involvement becomes less appropriate, the board should consider formally the desirability of delegating its powers to individual members of the board.

I recommend that JOHL's board should develop a code of conduct for board members both as guidance for new members of the board and as a benchmark against which to report annually.

28. As a result of the staff changes that took place in 2006, the Learning and Outreach Department at the Opera House is not currently operational and will be re-considered when the strategic review is undertaken. The JOHL business plan states that it wishes to increase the amount of work undertaken in educational establishments which includes workshops covering numeracy, literacy and citizenship.³ It also acknowledges that it is important to work with disability organisations, disadvantaged groups and vulnerable adults and when the Opera House does have a fully functioning Learning and Outreach Department, it will ensure that it is fully inclusive.

³ Extract from the draft Business Plan submitted to the DfESC to support the application for grant funding for 2007

SECTION FOUR ~ FINANCIAL GOVERNANCE ARRANGEMENTS

Introduction

29. In this section of the report, I will review the financial governance arrangements in force within JOHL.

Funding arrangements

30. In 2005, the JOHL received approximately one-third of its total income in the form of a grant from DfESC with the other two-thirds being derived from its commercial activities. In 2006 the proportions changed to being approximately one-quarter of its total income received from grant funding with three-quarters obtained from its commercial activities.

31. The business plan of JOHL for 2007 states that its mission is:⁴

“To operate at the heart of the community by providing an exciting, varied, balanced and dynamic programme of events’ and ‘to act as a catalyst for other arts activity both professional and amateur and to attract, educate, encourage participation and inspire all sections of the Jersey community.”

32. The business plan sets out how JOHL proposes to achieve its mission for 2007 and was used to support its application for a revenue grant from the States of Jersey. Grant funding has been provided by the DfESC.

Cultural Development Officer

33. Until 2006, the annual grant for JOHL was paid via Jersey Arts Trust which received the funds from DfESC and then passed them to JOHL. The report on the Cultural Strategy⁵, a review of the arts and heritage bodies for the Island undertaken by a UK arts consultant, recommended a more direct relationship between DfESC and arts organisations. The change in the way in which JOHL’s grant is paid is consistent with the recommendation of that review.

⁴ As stated in draft Business Plan submitted to the DfESC to support the application for grant funding for 2007

⁵ Report on ‘Development of a Cultural Strategy for the Island’ lodged au Greffe on 19 July 2005 with proposition P.154/2005

34. Following the implementation of the Cultural Strategy, the post of 'Cultural Development Officer' was established. His role is to liaise between DfESC and the funded organisations, to assist in agreeing the level of grant funding for the year and to assist in ensuring that adequate accountability arrangements exist in organisations that receive public funds. He also promotes liaison between linked organisations and voluntary bodies to help promote improvement in their individual results and in the collective overall cultural outcome for the Island.

Partnership agreement

35. To clarify the respective responsibilities of DfESC and JOHL, a partnership agreement has been drafted which will be signed by the Minister and by the Chairman of JOHL's board.⁶ The purpose of the agreement is stated as being:

"To establish and clarify the basis of a partnership between Jersey Opera House Limited (JOHL) and the Department for Education, Sport and Culture (DfESC). To promote mutual understanding of the roles and responsibilities of both partners and to establish mutually agreed working arrangements to support the achievement of the States' aspirations for the development of the arts in Jersey."

36. The partnership agreement sets out in detail the objectives of JOHL, the responsibilities of both parties and the arrangements for communicating and reporting on the achievement of the agreed objectives together with the accountability arrangements.
37. Implementation of the partnership agreement will enable both parties to demonstrate that the necessary accountability arrangements are in place within JOHL and for the Department to demonstrate that it is monitoring the effectiveness of the controls in operation over public funds distributed as grant aid.
38. During the course of this review it has been recommended that JOHL's board should document more fully its policies and procedures in the form of a code of conduct or governance handbook for Members. This code could be developed in conjunction with the Cultural Development Officer and would assist both parties in demonstrating compliance with the partnership agreement. It would also provide a benchmark against which the Board could report and provide assurances on an annual basis.

⁶ Draft Partnership Agreement between the DfESC and JOHL as provided by the Cultural Development Officer, February 2007

Internal financial controls

39. JOHL's directors are responsible for ensuring that a satisfactory system of financial controls is in place. During 2006 there have been a number of changes within the management and staffing structure of the Opera House and in the responsibilities for its various accounting systems. For this reason it is considered timely to undertake a full review of the financial systems so that the board can satisfy itself regarding the integrity of its arrangements. The Theatre Director intends to undertake a full review of the financial procedures and controls in place and to ensure that all policies and procedures are properly documented.
40. Following receipt of an audit report in August 2006, action has been taken to tighten up the procedures relating to payroll and personnel records and in the management of flexible staffing arrangements. The Staff Handbook has not been amended to reflect this and therefore requires revision to update and strengthen the information provided to staff.

I recommend that the Staff Handbook should be reviewed and revised where necessary.

41. As part of the annual audit of JOHL's accounts, the financial accounting systems are subject to review by the auditors to identify weaknesses that may lead to a material misstatement in the accounts. The auditors' report on the 2005 accounts did not report any such mis-statements.
42. As part of this review, I have compared the Opera House's internal control arrangements with an external benchmark, the Charity Commission in England and Wales' guidance on internal financial controls. Although JOHL is not formally a charity but is a limited company, the nature of the JOHL's activities and the fact that it receives public funding suggest that the Charity Commission's guidance is an appropriate source for comparison purposes. The results of this comparison are set out in Appendix Five.
43. My overall conclusion is that JOHL's internal control arrangements are largely compliant with the guidance although the low numbers of staff in the Finance and Administration Office do not permit extensive segregation of duties. The Theatre Director is currently reviewing the financial systems and controls and will be making recommendations to the Board to strengthen them where it is considered necessary.
44. In my view, this review is timely.

Phoenix Trust

45. Early in 2005 an appeal was launched for donations from the public to support the activities of JOHL. In order to safeguard the money raised and to ensure that it was devoted to specific purposes, a separate trust was created known as the Phoenix Trust. During 2005 over £39,000 was raised from donations received from members of the public and supporters of the Opera House together with pledges for a further £22,000. A bank account was opened in the name of the Phoenix Foundation to enable the donated funds to be deposited.
46. I have been informed that there were delays in setting up the Phoenix Trust and in appointing Trustees and obtaining the Trust Deed, with the result that the Deed was not signed until January 2007. The Chairman of the Opera House Limited is a Trustee but the Trust will be administered completely separately from the activities of the Opera House so that there will be no involvement of the other Opera House Board members.
47. The separate administration of the Phoenix Trust means that the funds will not be accounted for within JOHL's accounts or be subject to audit by the auditors of JOHL. The Trust has been formed as a private trust and, whilst this does not contravene any financial or legal requirements, it may well be at odds with the public perception of the situation. The donations were made to support the Opera House during a period when it was experiencing financial difficulty and there is a public expectation that the money donated should be subjected to the same level of accountability and expenditure controls as other JOHL monies.
48. I have been given to understand⁷ that it is the intention of the Phoenix Trust's trustees⁸ that the Trust's funds will be made available to support specific projects that may not be financially viable individually but will enable a varied programme of events to be held at the Opera House. JOHL endeavours to promote a mixed artistic programme of ballet, contemporary dance, drama, music, comedy, opera and literature. It also supports amateur drama and musical theatre that engages many people on the Island. I have been given to understand that, as at the end of 2006, no payments had been made from the Trust's funds and that the donations received in 2005 were still held in the bank. As can be seen in the Opera House's programme for 2007, the Trust is shown as providing financial support for certain events included in the programme.

⁷ By the Chairman of JOHL who is also the Chairman of the Phoenix Trust.

⁸ I understand that the trustees are: Advocate Lakeman, Mrs S Hamon, Mr Little and Mr C Pitter.

49. The lack of public information regarding the purpose of the Trust and the trustees' intentions for spending the money donated has created an atmosphere of uncertainty. This may be thought unfortunate both for the reputation of the Trust but also for the reputation of JOHL. I believe that the lack of public information about the Trust could usefully be addressed to improve public perceptions of the Trust and JOHL.

I recommend that the Trustees should consider publishing information about the Trust's formation, its intentions, its support for JOHL's activities and its financial management.

I further recommend that the Trustees should consider reporting directly to the original donors on these matters.

50. I understand that, as a result of the delays in formalising the Trust arrangements, the amounts pledged in 2005 of just over £22,000 have not been requested. The passage of time since the original appeal, together with a lack of information regarding the intention for spending the funds, indicate that not all of the pledged funds may now be received.

I recommend that the Trustees should consider contacting the individuals from whom pledges were received to inform them of the current position and to ascertain whether they may still wish to make a donation to the Trust.

51. In making these recommendations, I recognise that the Trust is private (and not a part of JOHL) and that it is for the trustees to decide what may be appropriate in all of the circumstances.

Jersey Arts Trust

52. The accounts of the Jersey Arts Trust show an investment in JOHL of 1,000 Ordinary Shares of £1 each at cost: ie £1,000. The accompanying note states:

*"The company is wholly owned by the Trustees. The company is charged with the management function of the daily running of the Opera House."*⁹

⁹ Jersey Arts Trust accounts for 2005 – Note 4

53. The Jersey Arts Trust accounts also include the bank loan of £5.5 million relating to the refurbishment of the Opera House. The explanatory note states:

“On 5 July 1999 the Trust entered into a loan agreement with Barclays Bank Plc to borrow £5.5 million over 20 years at a fixed annual rate of interest of 6.46%. The loan has been guaranteed by the States of Jersey who have agreed to fund the Trust at an adequate level to meet interest payments. The first capital repayment instalment was made in October 2005.”¹⁰

54. As for the Opera House building, that was acquired by the States in the circumstances described in Appendix Three. Although it was intended that the States and the Jersey Arts Trust should enter into a lease agreement by which JOHL would occupy the building, in fact no such lease has been agreed.

55. The cost of refurbishment of the Opera House building is included within the tangible fixed assets shown on the balance sheet of the Jersey Arts Trust accounts.

56. JOHL’s accounts do not include any assets and it has been assumed by JOHL that the written down values of all tangible fixed assets are included in the Jersey Arts Trust accounts.

57. JOHL’s board therefore has custody of the Opera House building and the related assets but there is no formal agreement specifying the rights and the obligations of JOHL and JOHL is not responsible for accounting for them. Equally, the Jersey Arts Trust accounts for the assets but does not have direct control over them other than through its wholly-owned company JOHL.

58. In practice, JOHL liaises with the Jersey Property Holdings (JPH) regarding the maintenance and repair works required to protect the fabric of the building but the necessary funding is then requested from JPH or DfESC. JOHL allocates an annual budget to cover repairs and renewals but this is insufficient to finance any major costs. JOHL’s insurance policy covers some of its assets but not all of them.

59. In short, there is a lack of clarity over:

- (1) responsibility for the Opera House building;
- (2) responsibility for the assets within it; and
- (3) responsibility for the maintenance, insurance and governance of the assets.

¹⁰ Jersey Arts Trust Accounts for 2005 – Note 6

I recommend that steps should be taken by JOHL, Jersey Arts Trust, Jersey Property Holdings and DfESC to clarify the location and nature of responsibility for the management of the Opera House and the assets within it.

60. The implementation of the Cultural Strategy has resulted in a more 'arms length' arrangement between the Jersey Opera House and the Jersey Arts Trust. However, the Jersey Arts Trust is still the sole shareholder in the Jersey Opera House company and is responsible for accounting for the major assets and liabilities relating to the Opera House.

I recommend that members of the Jersey Arts Trust and the Opera House liaise with the Cultural Development Officer to consider whether the overall accounting arrangements are still appropriate.

Seaton Place flats

61. JOHL holds the lease on flats at numbers 29-31 Seaton Place. Due to the close proximity of the flats to the Opera House the lease was taken on to provide accommodation for members of the visiting production casts to avoid or reduce the costs of providing accommodation in hotels. The lease on the flats is restrictive and requires the occupants to be 'visiting artistes or entertainers in the Island on a short term basis'. In addition to the annual cost of the lease, JOHL is liable for maintenance and repair costs. JOHL receives rental income from the occupants to offset against the leasing costs but in recent years this has resulted in a net loss.
62. Naturally, the net cost of this arrangement should be considered in the context of the potential saving that may have been made by not using hotels or alternative accommodation for visiting cast members. However, the existing arrangement for leasing the flats should be reviewed by the Board to examine its overall cost effectiveness and to consider whether alternative arrangements may be more beneficial.

I recommend that the board of JOHL should re-consider the current arrangement for the Seaton Place flats.

Maintenance expenditure

63. As has been explained, JOHL allocates a budget (of about £40,000 per annum) to cover repairs and renewals of fixed assets (which appear in Jersey Arts Trust's accounts). At its current level, this budget is not sufficient to finance any major expenditure.
64. At the time of the refurbishment of the Opera House, the office accommodation was leased separately to a private organisation. Consequently this section of the building did not benefit from any improvement works undertaken at that time. The office accommodation now requires significant investment to bring it to an acceptable standard.
65. As JOHL's board is responsible for the 'governance and effectiveness' of the assets it should renew its discussions with the Jersey Arts Trust and with Jersey Property Holdings to seek the grant required to upgrade the office premises. As the Opera House is treated as an asset in the accounts of the Jersey Arts Trust, the Trust would need to sanction any significant expenditure on the maintenance of the building and to consider how this might be financed.
66. The administration section of the Opera House building also contains a large room that could be used as a rehearsal room or a dance studio but requires work to reinstate it to a useable standard. If this room was renovated it could be made available to hire out to amateur dramatic groups or other appropriate users and could become a source of income generation for the Opera House. The bid for funding to upgrade the administration accommodation should also include renovation of the rehearsal room / dance studio to enable it to be brought back into use.

I recommend that the interested parties (ie JOHL, Jersey Arts Trust, Jersey Property Holdings and DfESC) should consider how best the remaining unrefurbished parts of the Opera House may be returned to usable condition.

Loan for refurbishment of the Opera House

67. As has been explained, on 5 July 1999, the Jersey Arts Trust entered into a loan agreement with Barclays Bank to borrow £5.5 million in order to refurbish the Opera House building. The report on the Cultural Strategy for the Island¹¹ suggested that the States should consider whether this loan arrangement was the most efficient and effective use of States resources. Although recognising that any early repayment of the loan may attract severe financial penalties, the report suggested that DfESC should explore whether any financial benefit would be gained by the States in terms of a saving of interest payments if it were to pay off the loan from its reserves.

68. As far as I can discover, DfESC has not carried out this review.

It is recommended that the current position regarding the outstanding loan should be considered by DfESC (in conjunction with The Treasury and Resources Department) to ascertain whether any financial benefit could be gained by changing the basis of the loan or rescheduling future repayments. This review should incorporate consideration of how to finance the further property expenditure mentioned above.

¹¹ Report on 'Development of a Cultural Strategy for the island' lodged au Greffe on 19 July 2005, section 6

APPENDIX ONE ~ TERMS OF REFERENCE

1. This review is commissioned in accordance with the powers of the Comptroller & Auditor General as set out in the Public Finance Jersey Law 2005 to take place in the light of:
 - (1) general concern about the importance of appropriate corporate and financial governance within all organisations in receipt of financial support from the States,
 - (2) the significance of the funds granted by the States to Jersey Opera House, and
 - (3) the concern of the directors of Jersey Opera House that their corporate governance of the Opera House should, as far as possible, be beyond reproach.

2. The purpose of the review is to examine:
 - (1) the constitution and governance arrangements of the Opera House and their fitness for purpose;
 - (2) the internal control arrangements within the Opera House with particular regard to the assumption and discharge of liabilities, and the management of fixed assets;
 - (3) the organisation of the Opera House and its arrangements for the execution of the decisions of its Council and its officers;
 - (4) the manner in which the Education, Sports and Culture Department ('the Department') specified how its relationship with the Association should be conducted (for example in a Service Level Agreement or a Partnership Agreement);
 - (5) the extent to which that agreement is being honoured by both the Opera House and the Department; 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. In each case, the review will take into account the best practice with regard to corporate and financial governance both within the public sector in Jersey and within cognate organisations in the United Kingdom.

4. The outcome of the review will be a report prepared and published in accordance with the provisions of the Public Finance Jersey Law 2005.

APPENDIX TWO ~ PEOPLE WHO CONTRIBUTED TO THE REVIEW

Mr Des Carro	Project Manager, JOHL
Mr David Christie	Director, JOHL
Mrs Trudie Crocker	Book-keeper, JOHL
Ms Truusje Gamlin	Honorary Financial Advisor, JOHL
Mr David Green	Partner, Moore Stephens: auditors of JOHL
Ms Jasmine Hendry	Theatre Director, JOHL
Advocate Christopher Lakeman	Chairman, JOHL
Mr Rod McLoughlin	Cultural Development Officer, DfESC
Mr Colin Perchard	Chairman, Jersey Arts Trust
Mr Rob Quinn	Audit Manager, Moore Stephens: auditors of JOHL
Mr Peter Robinson	Finance Director, DfESC
Ms Patricia Stanley	Director, JOHL

APPENDIX THREE ~ HISTORICAL BACKGROUND

- 3 - 1. The Jersey Opera House was first opened in July 1900 and has been a significant part of the Island's cultural life for over 100 years. By the 1990s the fabric of the building had fallen into serious disrepair and major works were required to carry out essential repairs and to refurbish the building to bring it in line with the requirements of a more modern theatre.
- 3 - 2. The Opera House was privately owned but in 1991 the States granted a loan to assist with its refurbishment. The conditions attached to the loan included that the States would have first charge on the Opera House and, in the event of it becoming for sale, the States would be given first refusal to purchase it.¹²
- 3 - 3. In January 1994, the Finance and Economics Committee was informed that whilst considerable refurbishment work had been undertaken to the entrance area of the Opera House, the condition of the roof of the building had deteriorated to an almost dangerous degree. The Committee accepted a recommendation from Jersey Arts Trust that a detailed structural survey of the remainder of the building should be undertaken by a specialist company: the cost of the survey being met by the States.
- 3 - 4. In August 1994, the Committee received a presentation on the survey which had been undertaken by 'Theatre Futures'; and had identified a number of serious defects in the building. The Jersey Arts Trust wished to restore the premises to the original state of the 1900 building, whilst incorporating the up to date facilities expected in a modern theatre. It was envisaged that, as part of the overall refurbishment programme, all the defects which had been revealed would be dealt with.
- 3 - 5. The Committee was supportive of the proposal to retain the Opera House in use for the benefit of the public. The owner had expressed an interest in selling the property and the Committee authorised Jersey Arts Trust to enter into discussions regarding the terms of any sale. Meanwhile, the Trust would work towards initiating a major fund raising appeal.

¹² Information extracted from the minutes of the Finance and Economics Committee meetings held between 1992 and 2005

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- 3 - 6. In July 1995, the Committee agreed in principle to the proposed acquisition of the Opera House and the conveyance of the property with vacant possession with the exception of existing tenancies and leasing agreements in respect of numbers 34 and 40 Seaton Place which formed part of the Opera House complex. A report and proposition on the acquisition was lodged 'au Greffe' on 11 July 1995 and was adopted by the States on 26 July 1995. The contract for the sale of the Opera House was passed by the Royal Court on 22 December 1995.
- 3 - 7. In 1997, the Jersey Arts Trust proposed to create three companies to manage and operate the Jersey Arts Centre, the Jersey Opera House and the St. James Centre. Jersey Opera House Limited was formed as a separate company in March 1998.
- 3 - 8. In April 1998, the Finance and Economics Committee was informed that the estimated cost of restoring the Opera House building was £6 million and an appeal that had been launched by the Jersey Arts Trust had raised over £1 million. Further donations had been promised and would be made available when the work had commenced. Six local banks were approached to provide loan support and the Committee supported the most financially attractive package. In June 1998, the Committee received tenders which showed that the total cost of the project would amount to just under £7 million. At that stage, firm donations of £1.5 million had been received.
- 3 - 9. In July 1998, the Finance and Economics Committee put forward a report and proposition to the States inviting the States to support the guarantee of a loan of up to £5.5 million by Barclays Bank plc to the Jersey Arts Trust to allow the restoration of the Opera House to proceed without delay. The Opera House was then closed whilst complete refurbishment took place and was reopened on 9 July 2000 (exactly 100 years to the day since its original opening).
- 3 - 10. It had been known that Jersey Opera House Limited would require annual financial support and the States made available an annual grant to meet this requirement, the level of this grant proved contentious.

- 3 - 11. By September 2004, the Opera House had reached a position of severe financial difficulty and representatives of Jersey Arts Trust and Jersey Opera House Limited met with the Education, Sport and Culture Committee to consider the future funding arrangements of the Jersey Opera House.¹³ In the view of the board of JOHL, an annual grant of £600,000 was required to enable the company to present a satisfactory programme of events. At the time, the States' annual grant was only £400,000. As a result, JOHL faced potential closure.
- 3 - 12. 3 – 12. The Education, Sport and Culture Committee recognised that it had a responsibility to help address the issue but did not wish simply to increase the annual grant without addressing underlying management and organisational issues.
- 3 - 13. In October 2004, the Committee considered submissions from the Jersey Arts Trust and Jersey Opera House Limited which suggested that the States should make additional funding available on condition that a new management structure was put into place. The Committee agreed to bring forward part of its proposed 2005 grant and make that available to JOHL forthwith; but required that this additional payment should be recovered over the five year period from 2006 to 2010 by reducing the grant paid in each of those years. The arrangements were made on the understanding that the JOHL would trade out of its operating deficit.
- 3 - 14. At the end of 2004, the directors of JOHL resigned and a new board was formed. Throughout 2005 the new board focused on securing the financial viability and long term future of the Opera House and implemented a tightened financial control regime in order to achieve this. The financial accounts for 2005 reported a small surplus on activities for that year.
- 3 - 15. During 2006, the directors continued their efforts to stabilise JOHL's finances despite some significant staffing issues.

¹³ Minutes of Education, Sport and Culture Committee 2004 and 2005

APPENDIX FOUR ~ REVIEW OF CORPORATE GOVERNANCE

This table sets out a comparison between the governance arrangements of the Jersey Opera House 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 (ACEVO) and the National Council of Voluntary Organisations amongst others. The reasons for choosing this guidance for the purposes of benchmarking the Opera House's arrangements are explained in the text of the report. Provisions of the guidance that do not appear relevant to the Jersey Opera House Limited have been omitted from the comparison. An overall assessment of this comparison is set out in the text of the report.

No.	<i>Detailed provisions of the ACEVO's Code that appear relevant to JOHL</i>	<i>Extent to which the provisions of the Code are satisfied by arrangements within JOHL</i>
COMPLIANCE – INTERNAL CONTROLS		
1	The board should set and maintain standing orders, systems of financial control, internal control, performance reporting and policies and procedures.	The board is in the process of carrying out a strategic review which will cover these areas. The Theatre Director is currently reviewing the systems of internal control and the existing policies and procedures and will report back to the board on the current position with recommendations for improvements. The board recognises the need to document its policies and procedures and to maintain adequate systems of internal control.
2	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 service.	The board receives feedback from the Theatre Director regarding the effectiveness of its internal controls. JOHL has appointed a firm of accountants to audit the annual accounts and, as part of this audit, a review is undertaken of the internal controls in operation over key financial systems. The strength of the internal checks built into the systems will be assessed as part of the ongoing strategic review referred to above.
COMPLIANCE – MANAGING RISK		
3	The board must avoid undertaking activities which might place an undue risk on the organisation, service users, beneficiaries, volunteers, staff, property, assets or reputation.	The board considers all proposed activities to assess the level of financial risk to the organisation together with the risk to its reputation and assets, before formally approving the activity at a board meeting.
4	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 strategic review that is being undertaken for the board will identify potential risks to the organisation and the results of the review will be considered by the board in due course.
5	The board should take account of the responsibility for dealing with and managing conflicts that may arise within the organisation.	The board is aware of its responsibility for declaring any conflicts of interest at board level. The board accepts that the arrangements for managing any conflicts that arise within the organisation should be formally documented and this will be undertaken as part of the outcome from the strategic review.

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	THE BOARD - DUTIES AND RESPONSIBILITIES	
6	The board should understand their duties and responsibilities and should have a statement defining them.	The framework of duties and responsibilities of the board are contained within the Articles of Association of JOHL. However, the board recognises that it would be helpful to also have a Code of Conduct for members which would provide more detail.
7	The board should organise its work to ensure that it makes the most effective use of the time, skills and knowledge of the board members.	During 2006 the board held meetings more frequently than would normally be the case, due to its requirement to address issues arising during the year. The board is considering conducting a skills audit to ensure that best use is being made of the skills and knowledge available to the board.
	THE BOARD - EFFECTIVENESS	
8	The board should meet regularly and ensure that its work is focused on delivering its strategic role.	During 2006, as a result of vacancies within the management team, the board members met more frequently than normal and took on personal responsibility for much of the management of JOHL and control of its finances. In 2007, the board continues to meet regularly but anticipates that it will be able to focus more on its strategic role.
9	The chairman should ensure that all board members contribute at meetings and that the proceedings are not dominated by a particular member.	As the number of members on the board is low, all members take an active role and participate fully at board meetings.
	THE BOARD - INFORMATION AND ADVICE	
10	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.	The frequency of board meetings during 2006 and early 2007 necessitated the distribution of information electronically, with some papers tabled at board meetings. The board receives the financial information and advice regarding risk assessments which it needs to be able to make informed decisions.
	THE BOARD - SKILLS AND EXPERIENCE	
11	Depending on the organisation's size and the nature of its activities the experience of Board members should, as appropriate, cover all significant areas.	The board is considering the appointment of new members to add to the range of skills currently available to the board.
	THE BOARD - SKILLS AND EXPERIENCE	
12	The board should have a diverse group of members broadly representative of the community and membership it serves.	The board members are representative of the Island community. Consideration is being given to the appointment of new members to add to the range of skills and experience available to the board.

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	THE BOARD – DEVELOPMENT AND SUPPORT	
13	All new board members 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.	This is accepted as good practice and will be implemented in respect of the proposed appointment of new board members. The Chairman of the Jersey Arts Trust (which is a key stakeholder in JOHL) will be involved in the selection process for new members. Previous new board members have received an induction pack.
	THE BOARD – THE CHIEF EXECUTIVE	
14	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 Board member or by a small group of board members.	No Chief Executive has been appointed by the board. However, the Theatre Director has been appointed by the board and will be subject to formal appraisal arrangements.
15	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.	As stated above, there is no Chief Executive. The remuneration of the Theatre Director has been approved by the board.
	BOARD REVIEW – PERFORMANCE APPRAISAL	
16	The board should regularly review and assess its own performance, that of individual board members, of sub-committees, standing groups and other bodies.	Due to the few members on the Board all decisions are taken at Board level, there are no sub-committees or groups. The Board is carrying out a strategic review and, as part of this process, will consider and assess its own performance.
	BOARD REVIEW – RENEWAL AND RECRUITMENT	
17	The board should have a strategy for its own renewal. Recruitment of new members should be open and focussed on creating a diverse and effective board.	There is no set rotation period in respect of board members although their ongoing appointment is subject to agreement by the Jersey Arts Trust as the shareholder. The recruitment of new members will be subject to an open process with input from the chairman of the Jersey Arts Trust and an independent assessor.
	BOARD REVIEW – REVIEWS OF THE ORGANISATION'S WORK	
18	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.	The board will be carrying out a strategic review in 2007 and intends to use the results to positive effect.
	BOARD DELEGATION – CLARITY OF ROLES	
19	The board should define the roles and responsibilities of the Chair and other honorary officers in writing.	The roles and responsibilities of the board members are governed by the Articles of Association of JOHL. The person who acts as Financial Director is not formally a member of the board. The terms of her appointment and responsibilities have not been defined in writing.

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		The board recognises that it should define its roles and responsibilities in writing to provide greater clarity and will consider this as part of the ongoing strategic review.
	BOARD DELEGATION – EFFECTIVE DELEGATION	
20	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.	The board has set limits on the delegation of some functions including financial limits for cheque signatories and the approval of expenditure. Revised arrangements are currently being implemented for budgetary control including commitments to spend or incur liabilities. The delegated arrangements will be documented as part of the ongoing review of policies and procedures being carried out by the Theatre Director.
	BOARD DELEGATION – TERMS OF REFERENCE	
21	The board should set clear terms of reference for sub-committees, standing groups and advisory panels etc.	The board does not have any sub-committees or standing groups.
	BOARD DELEGATION - MONITORING	
22	All delegated authorities must be subject to regular monitoring by the board. In particular, honorary officers and others should report back to the board promptly on any use of delegated authority.	The board monitors closely all financial matters. Authority has been delegated to the Theatre Director and the board ensures that this is being discharged in accordance with the job description.
23	The board should receive regular reports and minutes from all sub-committees.	There are no sub-committees in place. The board receives reports from the management team and financial information at all board meetings to enable members to monitor progress and to make informed decisions.
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.	There is no Chief Executive. The board receives reports from the Theatre Director at all board meetings which enables the board to monitor the use of delegated authority.
	BOARD INTEGRITY – NO PERSONAL BENEFIT	
25	Board members should not benefit from their position beyond what is allowed by the law and is in the interests of the organisation. In particular, members 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.	Board members are aware of this requirement and consider that they comply fully with it. However, the board recognises that it would be helpful to have a Code of Conduct or formal guidance setting out the rules relating to the activities of board members, to provide greater clarity and openness.

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BOARD INTEGRITY – CONFLICTS OF INTEREST		
26	Board members should identify and promptly declare any actual or potential conflicts of interest affecting them.	The Articles of Association require that Directors declare their interests and board members are aware of this. The requirement should be reinforced in a Code of Conduct for Members as referred to above.
27	There should be clear guidelines for receiving gifts or hospitality by board members.	Board members have applied the guidance contained in the Scottish Arts Council's corporate governance handbook regarding the receipt of gifts and hospitality. The board recognises that it would be helpful to have its own handbook setting out the policies relating to Board members.
28	The ACEVO guidance does not specifically address the guidelines relating to the provision of gifts and hospitality. In an organisation such as JOHL there is an expectation that a certain amount of hospitality will be provided. It is considered to be good practice for such policies to be formalised.	The board's policy is to ensure that hospitality provided is 'modest and reasonable'. Decisions are made at board level regarding proposals to provide hospitality and records are kept of the financial value of hospitality provided. The Theatre Director has been charged with the responsibility for drafting a proposed complimentary ticket policy. It is recognised by the board that it would be good practice for the policies to be formally documented and embodied in a Code of Conduct.
BOARD OPENNESS		
29	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 board is carrying out a strategic review of its operations which will provide an appropriate opportunity to consider the communication strategy. The Board is aware of the importance of its stakeholders and is alert to the need for effective communication with them.
30	The board should be open and accountable to stakeholders about its own work and the governance of the organisation.	The board is aware of the need to be open and accountable to stakeholders and is considering ways of improving its compliance with this requirement. The new partnership agreement which is to be signed with the DfESC requires openness and accountability regarding the work of JOHL and the governance of the organisation. The Department will review the Board's compliance with the agreement on an annual basis.
31	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 partnership agreement between JOHL and the DfESC requires scheduled meetings between the Minister (or Assistant Minister) and the Chairman of JOHL (or their nominated representative) twice a year. This will provide for engagement with a key stakeholder and for the Department's input to the organisation's planning and decision making processes. The board is also considering ways in which it can enable greater engagement with other key stakeholders.

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APPENDIX FIVE ~ REVIEW OF INTERNAL FINANCIAL CONTROLS

This table sets out a comparison between the internal control arrangements of JOHL and the provisions of the guidance issued by the Charity Commission of England and Wales. The reasons for choosing this guidance for the purposes of benchmarking the Opera House's arrangements are explained in the text of the report. Provisions of the guidance that do not appear relevant to the JOHL have been omitted from the comparison. An overall assessment of this comparison is set out in the text of the report.

No.	<i>Detailed provisions of the Charity Commission guidance that appear relevant to JOHL</i>	<i>Extent to which the provisions of the Charity Commission guidance are satisfied by arrangements within JOHL</i>
	GENERAL	
1	Board members should ensure that the organisation keeps proper books and records and that annual accounts are prepared.	The board ensures that proper books and records are maintained and a full set of management accounts are prepared on a quarterly basis. Annual accounts are prepared for JOHL and are subjected to an independent audit.
2	The board should also consider producing an annual report.	The board has not been required to publish financial accounts for previous years but is considering the preparation of an annual report for 2006.
3	The board should ensure that the accounts are subjected to external scrutiny.	The board has appointed a firm of accountants which carries out an annual audit of the accounts and provides an audit opinion.
4	The board should formally approve the organisation's annual report and accounts.	The board formally approves the annual accounts at a board meeting before signing them.
5	All board members should be provided with copies of the report and accounts.	This is done when the board approves the accounts at the board meeting.
	GENERAL	
6	New board members should be given a copy of the latest accounts on appointment together with other essential documents (e.g. the governing document or constitution).	The board provides induction packages to new members. The board intends to appoint new members in the near future and an induction package will be provided containing such information.
	BUDGETARY CONTROLS	
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.	Annual budgets are prepared to support the application for grant funding submitted to the DfESC. The board is considering the implementation of devolved budgets for the management team which will provide more robust budgetary controls in respect of the activities of JOHL.
	INCOMING FUNDS	
8	Board members are under a duty to take control of and to safeguard all funds to which the organisation becomes entitled.	Systems are in place for the control and safekeeping of income received from various sources. Controls are in place over debtors invoicing and the banking of all income received. The systems and controls are examined by external auditors on an annual basis.

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	RECEIPTS BY POST	
9	<p>The controls to be considered include:</p> <ul style="list-style-type: none"> (a) incoming post should be opened at the earliest opportunity and in the presence of two responsible persons; (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; (c) rotation of post opening staff ought to be considered where practical; (d) security of unopened mail should be ensured. 	<p>Staff numbers within the Administration and Finance Office do not provide for extensive segregation of duties or rotation. However, the Theatre Director is aware of the need for controls over the receipt of income by post and is implementing revised procedures. Incoming post is held securely at the box office before being collected for opening by the Administrator and any incoming cheques are signed-for by the Bookkeeper.</p>
	FUND RAISING EVENTS	
10	<p>The controls to be considered include that 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:</p> <ul style="list-style-type: none"> (1) all tickets are pre-numbered; (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; (3) a record is kept of which tickets have been sold; (4) a reconciliation is made of receipts against tickets sold. 	<p>A number of ad hoc fund raising events have been held for which these controls would not be appropriate (i.e. no tickets were sold). The Board and senior management are aware of the need for financial controls to be exercised over donations received as a result of fund raising events and voluntary activities.</p>
	CHECKS OF INCOMING RECEIPTS	
11	<p>Board members 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. Frequent random spot cheques should be made to ensure that:</p> <ul style="list-style-type: none"> (a) records of cash and cheques received agree with bank paying in slips; (b) paying in slips equate with the bank statements both in terms of amount banked and date of credit; (c) all transfers or other direct payments into the bank can be identified and verified against documentary evidence. <p>These checks should be made by someone other than the person concerned with the original recording of the transaction.</p>	<p>The low number of staff employed in the Administration and Finance office does not enable extensive segregation of duties. The Theatre Director is currently reviewing the internal financial controls in existence and will strengthen them where necessary.</p> <p>Board members do not undertake spot checks on banking. However, they receive copies of weekly bank reconciliation statements and information relating to banking activity. The board receives its assurances regarding compliance with internal financial controls from the reports provided by the Theatre Director to the board.</p>

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	BANKING AND CUSTODY PROCEDURES - GENERAL	
12	<p>Incoming receipts should be banked regularly and as soon as possible (i.e. at least weekly). 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. All incoming money should be banked gross. No amount should be held back for feeding petty cash.</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>There should be a written statement of policy and practice governing banking and custody procedures which is available to all board Members and staff.</p> <p>The money of the organisation should be kept quite separate from any individual's personal money. Board members should consider the safety of getting the money to the bank, especially if significant amounts 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>Income is banked on a daily basis. Controls exist over the safekeeping of income until such time as it can be banked. All income is banked gross and no amount is held back for feeding petty cash.</p> <p>Controls exist over access to the safes, petty cash tins and floats for the booking office and bars.</p> <p>There is adequate security over the transport of income to the bank.</p> <p>The insurance policy covers loss of cash.</p> <p>There are financial controls in place over the issue of receipts for income from various sources and comprehensive accounting arrangements.</p> <p>The policy and practice governing banking and custody procedures has not yet been documented but the Theatre Director will be preparing the necessary systems documentation as soon as possible and the procedure notes will be made available to all board members and staff.</p>
	CONTROLS OVER EXPENDITURE	
13	<p>All expenditure and investment of funds should be properly 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 person authorising the payment.</p> <p>Organisations should have a written statement of policy and practice covering payment procedures which should be available to members and staff. This should cover instructions on who is authorised (and in what circumstances and up to what limit) to place orders or contracts or to incur any liability on behalf of the organisation.</p>	<p>Controls are in place over the investment of funds which can only be authorised by Board members.</p> <p>The bank mandate sets delegated limits for cheque signatories and the authorisation of expenditure above the limit takes place at board level.</p> <p>Cheque books are kept securely and only nominated persons have access to them. The preparation of documentation relating to payments is undertaken by an officer who is not a cheque signatory.</p> <p>The Theatre Director is currently reviewing the policies in place and will be updating the procedure notes and other documentation as necessary.</p>

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	CONTROLS OVER PURCHASES	
14	<p>Board members have a responsibility to ensure that adequate checks are made to both confirm that purchases have been properly authorised and the goods or services ordered have actually been received:</p> <ul style="list-style-type: none"> (a) invoices received should be checked against orders made; (b) records kept of orders placed but not yet carried out; (c) the quality and quantity of goods supplied should be inspected to ensure that they correspond with orders placed; (d) regular stock taking should be undertaken; (e) authorisation for the placing of orders should be documented; (f) payments should only be made against original invoices. 	<p>Controls are in place over the authorisation of invoices for payment. Payments are prepared by an officer who is not responsible for the ordering of goods and the payment is authorised by senior management. A new system is to be implemented shortly for the ordering of goods by delegated budget holders and for confirming that goods have been received prior to payment of the invoice. This will provide enhanced controls over the purchasing and payment systems and will enable records to be kept of orders placed but not yet fulfilled. Stocktaking is undertaken on a six-weekly basis.</p>
	PAYMENTS BY CHEQUE	
15	<p>The Board 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 Board signatories unless the Board 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. It is preferable to avoid a situation where related Members are able to sign cheques together.</p> <p>Cheques made payable to a nominated signatory should not be signed by that person.</p> <p>The agreed limits for individual signatories should be recorded in the bank mandate and circulated amongst the Members.</p> <p>Close control should be exercised over access to cheque books.</p> <p>It is a dangerous breach of financial control over expenditure if cheques are signed in advance.</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 the payment and retained.</p> <p>Regular spot cheques should be made of the expenditure records against primary documents such as invoices.</p>	<p>The bank mandate has recently been updated to reflect changes in the management team and it sets out who the authorised signatories are, the numbers of signatures required and the delegated financial limits. All Board members are cheque signatories.</p> <p>Cheque books are held securely and are only accessible to authorised members of staff. Cheques are not signed in advance.</p> <p>All cheque expenditure is listed on the payments spreadsheet before being posted to the ledger. An audit trail exists to cross reference the payment to the cheque number and to the supporting documentation held on file in the Finance office.</p> <p>Board members do not undertake spot checks of expenditure records against prime documents. The Theatre Director has access to the supporting documentation if any checks on payments made are considered to be necessary.</p>

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PAYMENT BY CASH		
16	<p>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>	<p>The main use of cash payments is for the weekly wages paid to casual staff. The need for wages to be paid in cash has been reduced to a minimum where possible.</p> <p>Cash floats of fixed amounts are held for the bars and box office. A petty cash float is held in finance and for the café/bar. All payments from petty cash are supported by receipts or vouchers. The replenishment of the petty cash is made by a cheque drawn at the bank and not through the retention of incoming funds.</p> <p>Regular spot checks of floats are carried out by the management team.</p>
WAGES AND SALARIES		
17	<p>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>Board members 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 in force for payment of expenses to board members, 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>	<p>Weekly wages in cash are paid out by the relevant manager who is not the person making up the payroll. Controls exist over the authorisation of timesheets and approval of the wages to be paid.</p> <p>An audit of the payroll system was undertaken in 2006 and improvements have been made to the system as result of the audit report. All members of staff have been issued with contracts of employment.</p> <p>No expenses are incurred by board members or employees so no formal procedures are in place for their payment.</p> <p>The Theatre Director will be documenting the control systems and procedures which will provide guidance in the event of future staff changes.</p>
CHECKS ON EXPENDITURE RECORDS		
18	<p>Random spot checks should be made to verify that:</p> <ul style="list-style-type: none"> (a) records of payments made either by cheque stubs, paid invoices or other authorisations are in accordance with budgets; (b) cheques have been presented for payment by the Bank or Building Society as shown by the statement; (c) standing orders and direct debit payments are in accordance with valid instructions given to the Bank or Building Society. 	<p>Payments made are supported by documentation which is held in the Finance office and is available for checking if required although random spot checks are not usually undertaken.</p> <p>A weekly bank reconciliation statement is prepared by the bookkeeper that lists any un-presented cheques and this is subjected to independent review by the Theatre Director.</p> <p>Monthly salaries are paid by standing order and any amendments or new instructions must be signed in accordance with the bank mandate.</p>

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CONTROLS OVER ASSETS – FIXED ASSETS		
19	<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 organisation.</p> <p>Board members should 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 organisation.</p>	<p>There is no asset register in place as the Opera House building and associated fixed assets are accounted for within the Jersey Arts Trust annual accounts.</p> <p>JOHL's board liaises with Jersey Property Holdings regarding the maintenance and repair works required to protect the fabric of the building and to ensure that the assets remain in good repair and effective.</p> <p>There is no inventory of equipment or assets held. The insurance policy covers certain equipment and assets but requires further review to confirm that comprehensive cover for all assets is provided by a combination of both the JOHL and the Jersey Arts Trust insurance policies.</p>
BANK OR BUILDING SOCIETY DEPOSITS		
20	<p>A record of all bank and building society deposits should be held in a safe place.</p> <p>Regular bank reconciliations should take place and should be carried out by delegated employees – the Board members need to ensure that this is done.</p> <p>Instructions to open or close deposit accounts should be authorised by the whole Board.</p> <p>Accounts should not be allowed to remain dormant.</p> <p>Statements should be sent to a nominated Board member and made available for inspection by any Board members.</p>	<p>Bank statements are received on a weekly basis and are held securely in the Finance office.</p> <p>Bank reconciliations are completed by the nominated member of staff on a weekly basis and are subject to review by the Theatre Director. Copies of the weekly bank reconciliation statements are made available to board members.</p> <p>Instructions to transfer monies between bank accounts have to be authorised by two board members in accordance with the bank mandate.</p> <p>Bank accounts are not allowed to remain dormant.</p>

Board members may consider it impractical 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, board members should ensure that systems and procedures are in place to enable them to check that the necessary controls are in force and functioning correctly.