

STATES OF JERSEY



RECURRING THEMES: FINANCIAL MANAGEMENT (P.A.C.1/2020) – EXECUTIVE RESPONSE

**Presented to the States on 30th March 2020
by the Public Accounts Committee**

STATES GREFFE

FOREWORD

In accordance with paragraphs 64–66 of the [Code of Practice](#) for engagement between ‘Scrutiny Panels and the Public Accounts Committee’ and ‘the Executive’ (as derived from the [Proceedings Code of Practice](#)), the Public Accounts Committee (“PAC”) presents the Executive Response to its report on [Financial Management](#) (17th February 2020).

The PAC acknowledges that many of the actions and timescales contained within the Executive Response will be impacted by the Government response to the coronavirus outbreak. The PAC will continue to scrutinise the Executive in these extraordinary circumstances and will present comments in due course.

Senator S.C. Ferguson
Chairman, Public Accounts Committee

The Chief Executive and Director General of Treasury and Exchequer's response to Public Accounts Committee report on Financial Management

March 2020

Glossary of Terms

C&AG – Comptroller and Auditor General
COO – Chief Operating Office
CPMO – Corporate Portfolio Management Office
DOBP – Departmental Operational Business Plan
ITS – Integrated Technology Solution
PFM – Public Finances Manual
TOM – Target Operating Model
ZBB – Zero-based budgeting

	for the department. These are now being monitored in monthly Treasury performance meetings. Selected outcome indicators relating to sustainable public finances were also published in the Jersey Performance Framework when it was launched in January 2020.		
R3: The Chief Executive should ensure that programme reporting adopted by the Chief Operating Office (COO) has a full picture of the costs associated with delivery and that cost/benefit tracking is robust.	<p>As part of the establishment of the CPMO, programme and project management governance and disciplines will be embedded across the organisation, working closely with departmental and programme/ project management offices.</p> <p>A Head of the CPMO has been appointed. The CPMO team recruitment will commence on approval of the Modernisation and Digital Target Operating Model. Until a team is in place, the CPMO will be focused on Government Plan reporting and refining a portfolio framework for the Government of Jersey.</p> <p>Treasury and Exchequer have established a Cost-Benefit Analysis and Investment Appraisal function that will be responsible for financial monitoring, reporting and benefit analysis on approved change initiatives. The CPMO will work with Treasury and the Exchequer tracking financial and benefit progress in monthly portfolio reporting.</p>	<p>Q2 2021</p> <p>Complete</p> <p>June 2020</p>	<p>Chief Operating Officer</p> <p>Chief Operating Officer</p> <p>Group Director, Strategic Finance</p>
R4: The Treasurer and Chief Executive should establish clear parameters for the circumstances in which external resources will be acquired and the preferred sources for this, and establish clear targets for the long-term level of external resources brought in.	<p>Clarification, additional guidance and documentation for the process of engaging consultants is being presented to the Executive Leadership Team and the States Employment Board in March. Every engagement of consultants and interims will be supported by a clear business case and supporting evidence.</p> <p>The guidance being developed will link to the Public Finance Manual, the Jersey Financial Reporting Manual and</p>	July 2020	Chief Operating Officer

	Commercial and People policies. The guidance will be published for reference on MyStates and online forms will be developed, which should aid compliance and governance around procurement of consultants.		
R5: The Chief Executive and Treasurer should establish standards for financial management for all budget holders and follow up on compliance with these as part of formal appraisals.	<p>“Invest in our people” is a key workstream in the Treasury and Exchequer DOBP, and is also part of the wider Government of Jersey People Strategy being led by People and Corporate Services. The Treasury and Exchequer DOBP includes the objective to:</p> <p>Launch a ‘finance for non-finance’ staff strategy to ensure financial management skills are embedded across Government and that standard objectives for financial management are set for all staff with financial management responsibilities at each grade.</p>	July 2020	Treasurer of the States and Chief Operating Officer
R6: The Treasurer should accelerate consideration of zero-based budget reviews, based on materiality and feed the results of the reviews into the Government Plan process.	A project to roll out a programme of zero-based budgeting (ZBB) was included in the DOBP and is now underway. It will embed ZBB as a new way-of-working, informing future government plans	Q4 2021	Treasurer of the States
R7: The Treasurer should ensure that requests for exemptions or waivers against the new PFM are escalated to the appropriate level and visibility is given to the Executive as to the volume and value of such exemptions and waivers being approved.	Requests for exemptions relating to procurement, where appropriate, must now be approved by the Group Director – Commercial Services. All other requests for exemptions from the PFM must be approved by the Treasurer of the States. The Treasurer will receive quarterly reporting of exemptions and breaches in respect of procurement and an online process is being developed to process these. Once this is rolled out information on exemptions and breaches (contraventions of requirements) will be reported to the Executive Leadership Team on a quarterly basis.	July 2020	Chief Operating Officer and Treasurer of the States
R8: Government should be transparent about the total investment which it is believed will be required for financial transformation and the replacement of the	The government plan included investment, both in the core finance team and in transformation activities.	Complete	N/A

<p>outdated systems, and the medium term impact on public expenditure to finance this beyond the current Government Plan period. The benefits of this spend should be considered in the broadest sense and made clear as part of the business case.</p>	<p>Investment in our team is a critical way to ensure transformation is owned by the business and therefore becomes sustainable. However, transformation can't be delivered off the side of a desk, hence the need to invest in specific projects (such as the implementation of ZBB).</p> <p>The funding of the replacement of our finance systems is also included in the Government Plan as part of the Integrated Technology Solution (ITS), which will deliver modern, integrated systems providing support for finance, HR and procurement activities that replace outdated and standalone systems across the organisation. The Integrated Technology Solution will also standardise, automate and improve processes and controls.</p> <p>The ITS was the subject of a thorough Outline Business Case, based upon the HM Treasury Gren Book five-case model. This provided a high level assessment of benefits. This is now being progressed to a Full Business Case to agree benefits, which will thereafter be tracked and delivery monitored and reported</p> <p>We are committed to ensuring that all incremental, one-off costs of the transformation are captured, including both external costs, and the cost of secondments to distinct transformation roles. As the new TOM embeds, business as usual teams will deliver increasing amounts of transformation, for example the Analytics Centre of Expertise. These costs will be captured as part of the core costs of the department, as it is not practical with our current systems to try to allocate these costs. Where transformation leads to a change in ongoing costs (for example additional software licences for new tech), these will be considered as part of assessing net benefits of the transformation itself.</p>	<p>September 2020</p>	<p>Chief Operating Officer</p>
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<p>R9: Given the findings of the PwC Report to 'Those Charged with Governance on the 2018 Accounts', the Treasurer and the Chief Executive should set out a detailed justification in relation to faster closing of the year end accounts.</p>	<p>A comprehensive response and justification for marking this recommendation as complete can be found at Appendix A</p>	<p>Complete</p>	<p>N/A</p>
<p>R10: The Chief Executive should ensure that sufficient independent scrutiny is performed of the supporting evidence for accountability letters, even if this is conducted in private, and that the overall position following this exercise is made public</p>	<p>This already takes place. Accountable Officers submit annual Governance Statements. These are reviewed and challenged extensively by the Internal Audit team, and changes may be made as a result. Significant matters and themes arising from these statements are published in the Corporate Governance Statement within the Annual Report and Accounts.</p>	<p>Complete</p>	<p>N/A</p>

Recommendations not accepted

	Recommendation	Reason for rejection
	None	

Appendix A

R9: Given the findings of the PwC Report to ‘Those Charged with Governance on the 2018 Accounts’, the Treasurer and the Chief Executive should set out a detailed justification in relation to faster closing of the year end accounts.

Previously financial results were presented to stakeholders and decision makers in June of the following year. Given the limitations of our finance system, the financial statements involved a great deal of work across finance. By the time the information was shared with decision makers and stakeholders, it was out of date and of limited value.

The Faster close project is providing financial information on a more timely basis, improving its relevance to decision makers and other stakeholders. This consists largely of two elements:

- 1 Moving activity to the period before the year end
- 2 Improving the quality, rigour and standard of the production and project management of the process of delivering the financial statements.

This has occurred at the same time as making leap forwards in the quality of the Annual Report that highlights what has been achieved in the year, aligning these outcome measures with the financial costs of delivery.

There are a wide range of **benefits** as set out below which are extensive, proven repeatedly in other organisations and support the service and the organisation to develop, modernise and deliver higher quality financial stewardship and management

Once embedded as BAU, there are no additional **costs** to an early close. There will be costs in closing and there will be additional costs in raising the quality but that does not necessarily arise from the planned closure date. The Faster Close project aims to change the timing of when work is performed, rather than increasing the amount of work undertaken.

Fundamentally this activity is about improving the quality of the financial management across government and 2019 will be a second year in succession of reducing the time taken to publish results and improve the quality of our processes. Over a period of 2 years we will have reduced the time taken to report by over 11 weeks.

Benefits

There are a range of benefits associated with an early close which are summarised below:

- Early assurance/information to stakeholders is enabled, providing more timely and relevant information than in the past
- Generates time to adapt processes for the following year based on lessons learnt as the work and the audit concludes earlier

- Early programme builds in capacity to address emerging issues in a timely manner
- Once established, will operate at reduced resource requirement from normal practices
- Driver of efficiency and continual improvement in processes
- Develops, embeds and refines project management skills
- Ensures budget monitoring “surprises” are reduced
- By involving staff across the department, previous silo working is addressed and experience and development of staff members improved.
- Reputation of Government and the service is enhanced
- Encourages transformation, new ideas and innovation

Risks and Mitigations

The shortened time will require the work required to be completed in that period – this is shorter than the previous year but longer than elsewhere

The mitigations we have implemented are:

- A three stage Quality Assurance process with specific guidance for each element of the accounts
- The involvement of the whole of the service to bring greater resilience and resource to this key requirement
- Standardised working papers ensuring quality is addressed in all places
- A re-work of working papers as at 31/12/18 to provide a quality assured base from which to prepare the 2019 accounts
- Regular communications and training for all staff
- Project management disciplines and reporting
- A review of the accounts to streamline unnecessary content
- Process reviews to remove duplication and processes which do not add value such as lengthy governance returns and signed off returns for numbers held in the ledger
- Lessons learned workshops from 2018 accounts