



**OFFICE OF THE COMPTROLLER AND AUDITOR
GENERAL**

**CODE OF AUDIT PRACTICE:
EXPLANATORY NOTE
NOVEMBER 2020**

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Introduction

1. Article 18 of the Comptroller and Auditor General (Jersey) Law 2014 requires the Comptroller and Auditor (C&AG) to prepare, publish and keep under review a statement about how they propose to discharge their statutory functions.
2. In May 2020 the C&AG launched a public consultation on a draft revised Code of Audit Practice (the Code). The C&AG considered the responses received carefully and decided to make changes to the draft Code. In addition, in light of the responses received, the C&AG considered more widely the application of certain provisions contained in auditing and ethical standards and made a further change to the draft Code. The C&AG has now finalised and issued a revised Code.
3. The revised Code contains a number of changes from the previous version of the Code. This Explanatory Note explains the most significant changes from the previous Code.

General

4. The revised Code retains the overall structure of the previous Code with sections covering:
 - general principles applying to public audit in Jersey;
 - the main components of public audit; and
 - matters that apply more generally to the work of the C&AG and the auditors appointed by the C&AG.
5. It also retains the overall style:
 - summarising relevant responsibilities; and

- explaining how the C&AG and auditors appointed by the C&AG shall discharge their responsibilities.
6. The revised Code is strengthened by:
- inclusion of clearer statements of the responsibilities of public sector bodies; and
 - coverage of some statutory provisions not addressed in the previous Code.

Section 1: Introduction

7. Section 1 of the revised Code signposts the content of the rest of the Code. However, it is strengthened as compared with the previous Code by:
- explaining the wider context of arrangements for public audit in Jersey within which the Code sits; and
 - providing that the C&AG may issue supplementary guidance to auditors they appoint and that auditors appointed by the C&AG should have regard to such guidance. This provides a mechanism for promoting consistency of approach, if necessary, without the need for the C&AG to further revise the Code.

Section 2: General principles

8. Section 2 of the revised Code sets out general principles applicable to public audit in Jersey. There are three main changes from the previous Code:
- the inclusion of the values of the Jersey Audit Office as published on the Jersey Audit Office website;
 - the general principles applying to public audit have been re-expressed to align them with the principles of public audit developed by the Public Audit

Forum that brings together the public audit institutions of the United Kingdom and its devolved administrations; and

- the maintenance of audit quality by the C&AG and auditors appointed by the C&AG is specifically addressed, including through inclusion of an Audit Quality Framework included at Appendix 3 of the revised Code. The Audit Quality Framework covers the means by which the C&AG ensures that:
 - audit work is undertaken by appropriately trained and supported individuals and audit teams;
 - there are organisation-wide arrangements for quality control both within the Jersey Audit Office and the audit firms appointed by the C&AG; and
 - there is appropriate, independent assurance activity.

Section 3: Work on the financial statements

9. Section 3 of the new Code covers:
 - the audit of financial statements undertaken by auditors appointed by the C&AG; and
 - the duties and powers of the C&AG in relation to the audit of the financial statements of the States of Jersey.
10. The main changes from the previous Code are:
 - explicit provisions about:
 - liaison between auditors appointed by the C&AG and the C&AG,
 - provision of information to the C&AG; and
 - co-operation between auditors appointed by the C&AG;

- a prohibition on the adoption of the alternative provisions available for audits of small entities contained in the Ethical Standard issued by the Financial Reporting Council;
- a requirement for the auditor of the financial statements of the States of Jersey to apply the provisions of auditing and ethical standards applicable to Public Interest Entities with such interpretations and modifications necessary in the context of the audit of the financial statements of the States of Jersey specified by the C&AG;
- an expanded explanation and interpretation of the opinion on regularity issued by the auditor of the financial statements of the States of Jersey;
- expanded provisions relating to reporting by the auditor appointed to audit the financial statements of the States of Jersey on weaknesses in internal control and any other matters specified by the C&AG. In these respects the Code for the first time reflects what is already established practice in Jersey; and
- expanded provisions relating to the work the C&AG undertakes before issuing a certificate on the financial statements of the States of Jersey and in considering whether or not to exercise their statutory right to add a note to the financial statements.

Section 4: Work on corporate governance, internal control and economy, efficiency and effectiveness

11. Section 4 covers the C&AG's functions in respect of corporate governance, internal control and economy, efficiency and effectiveness.
12. Other than setting out more clearly the responsibilities of public sector bodies in these areas, there are no significant changes to this section from the previous Code.

Section 5: Follow-up of previous audit recommendations

13. Section 5 covers the C&AG's work following up the implementation of previous audit recommendations.
14. The revised Code retains a separate section, reflecting the importance of follow-up as a key means of driving constructive and positive change. There are no significant changes to the content of this section.

Section 6: Reporting

15. The revised Code separates the material on reporting and liaison included in a single chapter in the previous Code into two separate chapters.
16. Section 6 of the revised Code, covering reporting, deals with:
 - general principles applying to reporting;
 - the timing of reporting;
 - reporting themes arising from different pieces of audit work; and
 - the content of the Annual Report and Accounts of the Office.
17. The only significant changes from the previous Code relate to the content of the Annual Report and Accounts of the Office. The revised Code:
 - codifies existing practice relating to the frameworks for the Annual Report and Accounts; and
 - introduces specific provisions on including in the Annual Report information about audit quality and any instances of material non-compliance with the Code.

Section 7: Liaison

18. Section 7 of the revised Code covers liaison.
19. The only significant changes from the previous Code are the inclusion of sub-sections dealing with liaison with the Chief Internal Auditor of the States of Jersey and the Attorney General.

Section 8: Other matters

20. Section 8 of the revised Code gathers together material relevant to the discharge of the C&AG's functions that do not sit in any other section.
21. The significant changes to the previous Code comprise:
 - the inclusion of a sub-section dealing with the exercise of the C&AG's wide-ranging statutory powers to obtain information from third parties. The sub-section makes a clear statement of how the C&AG would, if necessary, exercise those powers in a professional way;
 - the inclusion of a sub-section on data and records, dealing with the C&AG's duties under the Data Protection (Jersey) Law 2018 and the Public Records (Jersey) Law 2002;
 - expansion of the provisions relating to the appointment of auditors of financial statements and the application of ethical standards to those auditors. The provisions reinforce the focus on audit quality reflected in the Audit Quality Framework set out in Appendix 3; and
 - making specific provisions about the delegation of functions by the C&AG, especially about making delegation arrangements public.



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