



**OFFICE OF THE COMPTROLLER AND AUDITOR  
GENERAL**

**CODE OF AUDIT PRACTICE  
NOVEMBER 2020**

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## Foreword

Independent external audit is an important part of the process of accountability for public money. It provides assurance on the stewardship of public funds and on corporate governance. It also does more. It looks forward as well as back. It serves as a driver for improvement in decision making and service delivery. It helps to provide transparency for the public sector.

Audit is not a substitute for the responsibilities of those providing public services. It is for them to ensure that public business is conducted in accordance with the law and proper standards, that public money is safeguarded, that public funds are properly accounted for and that economy, efficiency and effectiveness are secured.

The Jersey Audit Office, which I head, is responsible for public audit in Jersey. Its duties, and those of the audit firms I appoint, derive from legislation. Article 18 of the Comptroller and Auditor General (Jersey) Law 2014 ('the 2014 Law') requires me to prepare and publish a statement of the manner in which I propose to discharge my functions. This Code of Audit Practice (the Code) discharges that responsibility. Whereas the legislation sets out **what** my audit work should achieve, the Code sets out **how** the work should be undertaken.

The vision of the Jersey Audit Office is to be a trusted and innovative audit organisation that champions good governance and the wise use of public money in Jersey.

The Code is an important means by which States members, Ministers, Officers of the States, other stakeholders and the public of Jersey can secure a common understanding of what the Comptroller and Auditor General (C&AG) and audit firms appointed by the C&AG shall do, what they shall not do, how they shall operate and how they shall interact.

This revised Code has been prepared following a review that I undertook after taking up office in January 2020. I initiated a wide-ranging consultation on the proposed changes and I am grateful to those who responded to the consultation.

As required by Article 18 of the 2014 Law, I will continue to review and revise the Code as necessary.



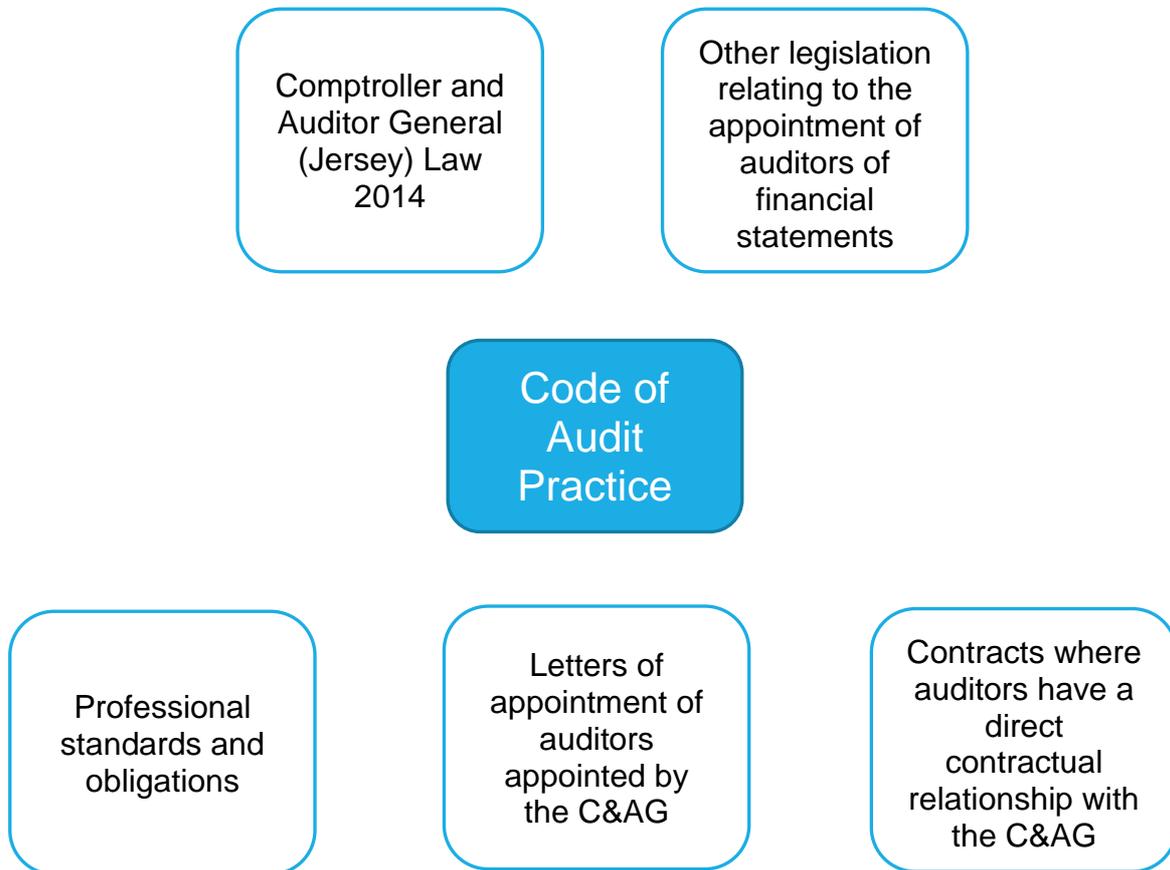
**Lynn Pamment**  
**Comptroller and Auditor General**

**20 November 2020**

## Section 1: Introduction

1. Legislation prescribes **what** the C&AG and audit firms appointed by the C&AG shall and may do. This Code both explains those duties and powers and sets out **how** those functions should be performed.
2. The duties and powers of the C&AG and audit firms appointed by the C&AG relate to a number of entities specified in legislation:
  - the States of Jersey, including States funded bodies and specified Funds;
  - independently audited States bodies, being entities to which the C&AG is required to appoint auditors of their financial statements and companies owned or controlled by the States; and
  - States aided independent bodies, being entities that receive money from the States to aid them in carrying out their activities.
3. A summary of the statutory powers and duties is provided at Appendix 1.
4. This Code is issued under Article 18 of the Comptroller and Auditor General (Jersey) Law 2014 ('the 2014 Law'). It comes into force:
  - in the case of the C&AG on the date it is issued; and
  - in the case of auditors appointed by the C&AG, the commencement of the audit of financial statements for the year ending 31 December 2020.
5. The Code remains in force until revised or replaced.
6. The Code is at the centre of arrangements for public audit in Jersey (see Exhibit 1).

## Exhibit 1: The Code sits at the centre of arrangements for public audit in Jersey



### Application of this Code and Supplementary Guidance

7. This Code applies to the C&AG and to auditors of the financial statements of the States of Jersey and other entities to which the C&AG appoints auditors.
8. The C&AG may issue supplementary guidance to auditors of the financial statements of the States of Jersey and other entities to which the C&AG appoints auditors. This supplementary guidance is designed to facilitate compliance with this Code and may include guidance on emerging issues relevant to the functions of auditors appointed by the C&AG. Appendix 2 contains a list of the entities to which the C&AG appoints auditors of financial statements.

9. Auditors of the financial statements of the States of Jersey and other entities shall have regard to the supplementary guidance issued by the C&AG.
10. The C&AG shall review the supplementary guidance issued on a regular basis and amend, augment or withdraw the supplementary guidance as appropriate.

## Contents of this Code

11. The Code considers:
  - the general principles applying to public audit in Jersey (Section 2);
  - work on the financial statements (Section 3);
  - work on corporate governance, internal control and economy, efficiency and effectiveness (Section 4);
  - follow up of previous external audit recommendations (Section 5);
  - reporting the results of audit work (Section 6);
  - liaison with others (Section 7); and
  - other matters (Section 8).

## Section 2: General principles

### Background

12. The purpose of the Jersey Audit Office is to provide independent assurance to the people of Jersey on the extent to which public money is spent economically, efficiently and effectively and on whether the controls and governance arrangements in place within public bodies demonstrate value for money.
13. The Jersey Audit Office operates to the following fundamental values:
  - *Independence and objectivity* – we appoint auditors, determine our work plan, carry out our work and report our findings impartially. We are accessible, transparent and responsive. We drive constructive and positive change through our recommendations and follow-up. We respond with agility to the ever changing environment in which we operate.
  - *Fairness and justice* – we are open and honest in the way we undertake our work, how we communicate with all stakeholders and how we treat people. We report our evidence-based findings in public, without fear or favour. We undertake audit work as economically, efficiently and effectively as possible.
  - *Integrity* – we speak up for what is right. We strive for and deliver high quality outcomes. We are truthful in making decisions and in responding to challenge. We meet our responsibilities in an ethical and fair way.
  - *Credibility* – we provide insight and promote best practice. We engage proactively with our stakeholders, with whom we work hard to build and maintain trust. Our work follows best practice and is undertaken by a team of reliable and dedicated professionals in accordance with recognised international standards.
14. Independent public assurance helps to maintain public confidence in the stewardship of public funds and the delivery of public services.

15. It is underpinned by the following widely accepted principles of public audit:
  - independent appointment of auditors;
  - a wider scope of public audit;
  - public reporting of audit findings and recommendations; and
  - being responsive to changing environments and audit risks.
16. Credible public audit is also underpinned by arrangements to secure and report on audit quality.

## Independent appointment of auditors

17. A fundamental principle of public audit is independent appointment of auditors.
18. The independence of the C&AG is protected by appointment by the States Assembly on a recommendation jointly by the Chief Minister and Chairman of the Public Accounts Committee for a fixed, non-renewable seven year term. They may only be removed from office on specified grounds.
19. Auditors of financial statements are appointed by the C&AG following transparent procurement processes. There are additional controls over the acceptance of non-audit work to ensure there is no threat to the independence of the auditors. These are set out in the sub-section on *Auditors appointed by the C&AG* in Section 8 of the Code.

## Wider scope of public audit

20. Public audit has a wider scope, extending beyond the truth and fairness of financial statements. In Jersey this means that:
  - for the States of Jersey, assurance is provided about the ‘regularity’ of income and expenditure; and

- the C&AG's work extends to corporate governance, internal control and value for money, not only of the States of Jersey but also of some other public bodies and bodies funded by the States.
21. The Code also provides for the C&AG to follow up the implementation of audit recommendations.
  22. Public audit does not question the merits of policy objectives. However, the C&AG may subsequently consider how policy decisions were reached and the effects of the implementation of policies.
  23. In determining the scope and nature of work undertaken, the C&AG shall have regard to the cost of undertaking such work as well as the benefits expected to arise.

## Public reporting of audit findings and recommendations

24. Accountability is promoted by public reporting of audit findings and recommendations. The C&AG reports in public to the States Assembly without fear or favour.
25. In discharging their statutory and professional responsibilities, auditors shall adopt a constructive and positive approach, supporting and encouraging worthwhile change. In undertaking their work and making recommendations they recognise the particular circumstances of Jersey.
26. In making recommendations auditors recognise both the benefits and the cost of implementation.
27. Principles underpinning effective reporting by the C&AG and auditors appointed by the C&AG are set out in Section 8.

## Being responsive to changing environments and audit risks

28. To remain relevant and credible and to support improvement, public audit must be responsive to changes in public service delivery.
29. The Code sets out a high-level approach to how the C&AG and the auditors appointed by the C&AG shall discharge their responsibilities. However, the C&AG develops, reviews and amends an audit programme in light of changes to service delivery and emerging risks.
30. The C&AG is also required to keep this Code under review and, where appropriate, update it.

## Audit quality

31. To maintain credibility, public audit must be undertaken:
  - to high professional standards;
  - as efficiently as possible; and
  - in compliance with statutory requirements, including on information handling.
32. To ensure the quality of audit work undertaken, the C&AG has adopted an audit quality framework covering the work undertaken by the C&AG and the auditors appointed by the C&AG. The framework is included at Appendix 3.

## Section 3: Work on the financial statements

### Background

33. Financial statements are an essential means by which stewardship of public funds is demonstrated.
34. Legislation requires the C&AG to appoint auditors of the financial statements of:
  - the States of Jersey; and
  - certain other entities as detailed in Appendix 2 to this Code.

### Responsibilities of preparers of financial statements

35. The preparers of these financial statements have a duty to:
  - put in place systems of internal financial control, including to ensure the regularity and lawfulness of transactions;
  - maintain proper accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements;
  - prepare financial statements on a timely basis in accordance with the applicable accounting framework; and
  - where required to do so, prepare and publish an annual report alongside their financial statements. Such annual reports should communicate relevant information clearly and concisely.
36. In the case of the States of Jersey, the States must:
  - as required by Article 31(3) of the Public Finances (Jersey) Law 2019, prepare the financial statements in accordance with the accounting

standards directed by the Minister for Treasury and Resources in the Public Finances Manual; and

- as required by the Public Finances Manual issued under Article 31 of the Public Finances Jersey Law 2019, prepare a Governance Statement.

## Responsibilities of all auditors appointed by the C&AG

37. Auditors appointed by the C&AG are required to audit the financial statements and give their opinion, including:

- whether the financial statements give a true and fair view of the financial position of the reporting entity and of its income and expenditure for the year;
- whether the financial statements have been properly prepared in accordance with the relevant accounting framework;
- whether other information published together with the audited financial statements is consistent with the financial statements; and
- where a Remuneration Report is prepared, whether the part to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

38. In planning, performing and reporting their work, auditors appointed by the C&AG shall:

- comply with auditing and ethical standards applicable in the United Kingdom. In complying with the Ethical Standard issued by the Financial Reporting Council, auditors appointed by the C&AG shall not apply the alternative provisions available for auditors of small entities; and
- have regard to associated guidance, in particular *Part 1: Application of International Standards on Auditing (UK) of Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United*

*Kingdom* issued by the Public Audit Forum and, where relevant, *Practice Note 15: The audit of occupational pension schemes in the United Kingdom* issued by the Financial Reporting Council.

39. Auditors appointed by the C&AG shall, to the extent that is consistent with their statutory and professional powers and duties:
- liaise with the C&AG in the course of their work;
  - provide to the C&AG such information as the C&AG requests for the purposes of the C&AG's functions; and
  - co-operate constructively with other auditors appointed by the C&AG to discharge their respective responsibilities.
40. Auditors appointed by the C&AG shall engage constructively with the preparers of financial statements to promote high quality, impactful financial reporting.

## Additional responsibilities of the auditor of the financial statements of the States of Jersey

41. In planning, performing and reporting their work, the auditor of the financial statements of the States of Jersey shall 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 in supplementary guidance issued in accordance with paragraph 8 of this Code.
42. Article 11(1) of the 2014 Law requires the C&AG to provide the States Assembly with independent assurance that the public finances of Jersey and certain specified funds are being regulated, controlled, supervised and accounted for in accordance with applicable legislation.

43. The auditor appointed to audit the financial statements of the States of Jersey shall also in their Independent Auditor's Report give an opinion on whether:
- the Statement of Outturn Against Approvals properly presents the outturn against the budget approved by the States Assembly and whether those totals have been exceeded; and
  - the income and expenditure relating to the States of Jersey Core Entities have been applied to the purposes intended by the States Assembly and the financial transactions conform to the authorities which govern them.
44. In planning, performing and reporting their work to support this opinion, the auditor appointed to audit the financial statements of the States of Jersey shall:
- have regard to *Part 2: The Audit of Regularity of Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom* published by the Public Audit Forum;
  - interpret 'Parliamentary Authorities' to include:
    - the amounts specified in Articles 9(2) and 9(3) of the Public Finances (Jersey) Law 2019 ('the 2019 Law') in the adopted Government Plan but not the supporting information specified in Article 9(4) of the 2019 Law; and
    - Acts of the States Assembly; and
  - interpret 'Government or Related Authorities' to include the Public Finances Manual.
45. The auditor of the financial statements of the States of Jersey shall report by exception where any Annual Governance Statement included in the Annual Report and Accounts:
- does not comply with any requirements for its compilation stated in the Annual Report and Accounts of the States of Jersey or directed in the Public Finances Manual; or

- is misleading or inconsistent with information of which the auditor is aware as a result of their audit.
46. The auditor of the financial statements of the States of Jersey shall also report annually report in writing on:
- their observations and recommendations in relation to internal control; and
  - any matters that the C&AG may specify in writing.

## Responsibilities of the C&AG in relation to the financial statements of the States of Jersey

47. Article 12 of the 2014 Law requires the C&AG to ensure that before a period of five months after the end of the financial year:
- an audit of the financial statements of the States of Jersey has been undertaken;
  - a report from the auditor of the financial statements is attached to the financial statements; and
  - the financial statements and the report from the auditor are forwarded to the Minister for Treasury and Resources who shall as soon as practicable present the financial statements to the States Assembly.
48. Article 12(3) of the 2014 Law allows the C&AG to attach to the financial statements a note drawing the attention of the States Assembly to:
- any matter which the C&AG considers should be of concern to the States Assembly or should receive the States Assembly's attention;
  - any matter that hindered the audit of any part of the financial statements; and

- any matter that constitutes a significant breach of the Public Finances (Jersey) Law 2019, the Social Security (Jersey) Law 1974, the Health Insurance (Jersey) Law 1967 or the Long-Term Care (Jersey) Law 2012.
49. To discharge their responsibilities the C&AG shall:
- undertake such procedures as they consider necessary to satisfy themselves that the auditor appointed to audit the financial statements of the States of Jersey has discharged their responsibilities in accordance with the provisions of this Code. Such procedures may include:
    - reviewing the audit plan and report to Those Charged with Governance prepared by the auditor of the financial statements of the States of Jersey;
    - liaising with the auditor of the financial statements of the States of Jersey in the course of their audit;
    - attending the meeting of the States of Jersey Risk and Audit Committee and the meeting with the Minister for Treasury and Resources at which the auditor of the financial statements of the States of Jersey presents their Report to Those Charged with Governance; and
    - confirming that the auditor of the States of Jersey's financial statements has issued their Independent Auditor's Report.
  - undertake such procedures as they consider necessary to identify matters in respect of which it would be appropriate to attach a note to the financial statements, including consideration of the results of the work undertaken by the auditor of the financial statements of the States of Jersey. In deciding whether to attach a note to the financial statements, the C&AG shall consider the significance of any matters they identify. The procedures adopted by the C&AG may include:
    - reviewing the States of Jersey's draft financial statements, providing comments to management and evaluating management's response;

- considering the findings of the audit of the financial statements of the States of Jersey and management's response;
  - considering the results of work undertaken by the Chief Internal Auditor;
  - considering the results of other work undertaken by the C&AG; and
  - considering progress in the implementation of previous audit recommendations made by the C&AG.
- publish any note attached to the financial statements of the States of Jersey on their website; and
  - enter a certificate on the financial statements of the States of Jersey confirming that they have discharged their responsibilities under Article 12 of the 2014 Law and referring to any note attached to the financial statements or confirming that no such note has been issued.
50. The C&AG shall engage constructively with the States of Jersey to promote high quality, impactful financial reporting, including by commenting on the accounting standards directed for adoption in the Public Finances Manual.

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

### Background

51. Article 11(3) of the 2014 Law imposes a duty on the C&AG to consider and report to the States Assembly in relation to the States of Jersey, States funded bodies, the Social Security Fund, the Social Security (Reserve) Fund, the Health Insurance Fund and the Long-Term Care Fund on:
- general corporate governance arrangements;
  - the effectiveness of the internal controls, including internal auditing of those controls; and
  - economy, efficiency and effectiveness in the use of resources.
52. Articles 13(1) and 14(3) of the 2014 allow the C&AG to report in relation to these three matters in respect of independently audited States bodies and States aided independent bodies.

### Responsibilities of the States of Jersey, independently audited States bodies and States aided independent bodies

53. The States of Jersey, independently audited States bodies and States aided independent bodies are required to:
- **In respect of corporate governance:** establish arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. They should involve Those Charged with Governance (including audit committees or equivalent) in monitoring these arrangements.

- **In respect of internal control:** develop and implement effective systems of internal control, including financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They shall include:
  - effective risk management and, where appropriate, internal audit functions;
  - arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place; and
  - arrangements to ensure that their financial position is soundly based having regard to compliance with statutory financial requirements, achievement of financial targets, adequacy of balances and reserves, dealing with uncertainty in the medium- and long-term and the impact of planned policies and foreseeable developments.
- **In respect of economy, efficiency and effectiveness:** establish arrangements to secure economy (minimisation of the costs of inputs), efficiency (maximising the outputs from the inputs) and effectiveness (maximising the alignment between the outputs and the outcomes desired).

## Responsibilities of the C&AG

### General

54. The C&AG shall plan their work so that in each year they undertake one or more elements of work specifically to consider each of corporate governance, internal control and economy, efficiency and effectiveness.

55. The elements of work undertaken may relate to one or more activities and one or more entities within the scope of the C&AG's responsibilities. Elements of work may contribute to the discharge of one or more of the C&AG's responsibilities.
56. In discharging their responsibilities the C&AG shall also consider any relevant findings from the audit of financial statements.
57. While the C&AG's work is designed to identify major weaknesses in corporate governance or internal control, or significant failures to secure economy, efficiency and effectiveness, it should not be relied upon to identify all weaknesses or failures that exist.

### Planning of work

58. The C&AG shall prepare an annual plan to discharge their responsibilities in respect of corporate governance, internal control and economy, efficiency and effectiveness. The plan shall include a work programme for a calendar year and an indicative work programme for the subsequent two years.
59. In preparing their plan the C&AG shall seek to:
  - consider all significant activities and entities relevant to their responsibilities on a cyclical basis; and
  - maximise the impact of their work by focussing on the areas of greatest risk.
60. In determining what work to include in their plan the C&AG shall have regard to:
  - the public interest;
  - the views of the public and its representatives;
  - whether the work is timely;
  - the scale of the issues and their circumstances;

- the scope, nature, timing and results of the work of others, including internal audit, the Public Accounts Committee and Scrutiny Panels, inspectorates and other authoritative external bodies; and
- the potential value of the work in terms of monetary savings, improved services and improved management or governance, and whether the lessons learned are likely to be transferable.

61. The C&AG shall keep under review and amend their planned programme of work as necessary.

### Undertaking work

62. In undertaking work to discharge their responsibilities the C&AG shall:

- specify clearly the objectives and scope of their work;
- obtain sufficient appropriate evidence from which to draw conclusions; and
- prepare and retain appropriate documentation of the work performed and of the conclusions reached to enable an experienced auditor, having no previous connection with the audit, to understand:
  - the nature, timing and extent of audit procedures performed;
  - the results of the audit procedures and evidence obtained;
  - the significant matters arising;
  - the conclusions reached; and
  - the recommendations made.

### Reporting the results of work

63. Article 20 of the 2014 Law makes provision about reporting work undertaken. The C&AG must:

- prepare reports arising from the work undertaken. Such reports must mention any matter of concern or any matter that should receive attention;
- submit any report to the Greffier of the States (who shall lay the report before the States Assembly); and
- as soon as practicable report any suspected substantial irregularity where they suspect criminal activity to the Attorney General.

64. In discharging their responsibilities the C&AG shall:

- in determining the content and timing of public reporting, have regard to potential prejudice to the interests of the States of Jersey or other parties arising from public reporting;
- other than in cases of suspected irregularity where they suspect criminal activity, consult with relevant officers on the factual accuracy of draft reports; and
- publish on their website all reports submitted to the Greffier of the States.

## Section 5: Follow-up of previous audit recommendations

### Background

65. Article 11(3) of the 2014 Law requires, and Articles 13(1) and 14(3) permit, the C&AG to make recommendations for improvement where such improvement is needed. The C&AG is not responsible for deciding whether to implement external audit recommendations or for their implementation.

### Responsibilities of States of Jersey, other entities and States aided independent bodies

66. The States of Jersey, independently audited States bodies and States aided independent bodies have a duty to:
- consider recommendations made by the C&AG and auditors appointed by the C&AG;
  - determine whether to accept recommendations and, if so, what action to take;
  - monitor implementation of agreed audit recommendations and the impact secured; and
  - take corrective action where appropriate.

### Responsibilities of the C&AG

67. The C&AG shall, as part of their annual programme:
- assess the adequacy of arrangements for considering their recommendations and those of audit firms they appoint and, where it is decided to accept recommendations, the arrangements for monitoring their implementation;

- on a sample basis, evaluate the implementation and/or impact of previous recommendations made by them or audit firms they appoint; and
- report the results of their work.

## Section 6: Reporting

### General principles

68. Audit outputs shall:
- be clear, succinct, impactful and relevant to their audience;
  - be written in plain language, avoiding jargon and technical terms where possible; and
  - draw clear conclusions and, where relevant, make recommendations to support meaningful improvement.

### Timing of reporting

69. The C&AG shall report independently, without fear or favour on a timely basis. They shall comply with statutory duties to report by a specified date or without delay. They shall report forthwith if they believe it is in the public interest to do so.
70. However, the C&AG shall have regard to impending elections and appointment of Ministers in determining the timing of reporting of the results of their work.

### Reporting themes arising from different pieces of audit work

71. There is no statutory duty on the C&AG to draw together the findings from individual pieces of work. However, there may be common themes arising from different pieces of work undertaken, from which overall conclusions may be drawn and recommendations for improvement made.

72. The C&AG shall therefore, where they consider it appropriate, prepare reports drawing together the results of their work and/or that of auditors appointed by them. Such reports may:
- summarise the main issues arising from audit work undertaken;
  - consider and report on the implementation of audit recommendations previously made; and
  - direct attention to the most significant weaknesses identified from audit work.
73. The C&AG shall submit any such report as if this were a report made under Article 20 of the 2014 Law.

## Annual Report and Accounts

74. Article 19(1) of the 2014 Law requires the C&AG to prepare an annual report on the activities of their Office and to provide a copy of that report to the Chief Minister and the Greffier of the States.
75. Article 19(3) of the 2014 Law requires the C&AG to provide a copy of their audited financial statements to the Greffier of the States.
76. Article 19(4) of the 2014 Law requires the Greffier of the States to lay the report and accounts before the States Assembly.
77. The C&AG shall:
- prepare their annual report having regard to recognised good practice for the preparation of annual reports and the circumstances of the Office;
  - include in their annual report information relevant both to the performance and accountability of the Office;
  - include in their annual report the matters relating to audit quality specified in the Audit Quality Framework at Appendix 3;

- include in their annual report any material instances of non-compliance with this Code of which they are aware;
- prepare their annual financial statements in accordance with a recognised financial reporting framework; and
- submit their Annual Report and Accounts to the Greffier of the States within five months of the period to which they relate.

## Section 7: Liaison

### Public Accounts Committee

78. Article 17(2) of the 2014 Law requires the C&AG to liaise with the Public Accounts Committee and attend all meetings of the Committee. Article 17(1) of the 2014 Law, however, recognises the independence of the C&AG and that they cannot be directed in the discharge of their functions.
79. The C&AG shall:
- liaise with the Public Accounts Committee on the development of, delivery of and changes to their audit plan;
  - present the results of their work to the Public Accounts Committee; and
  - provide such further briefings on the results of their work as they determine will assist the Public Accounts Committee in discharging its functions.
80. In order to preserve their independence, the C&AG shall not act, or do anything which might give rise to the perception that they act, as if they were a member of the Public Accounts Committee.

### States of Jersey Risk and Audit Committee

81. The Risk and Audit Committee is established on a non-statutory basis. It advises the Ministers, the Treasurer of the States and the Principal Accountable Officer on matters relevant to their responsibilities. Its remit includes receipt and consideration of reports from the audit firm appointed to audit the financial statements of the States of Jersey.
82. The auditor appointed to audit the financial statements of the States of Jersey shall:

- consult with the Risk and Audit Committee on the development of, delivery of and changes to their plans for the audit of financial statements; and
  - present the results of their work on the financial statements to the Risk and Audit Committee to assist the Committee in discharging its functions.
83. In order to preserve their independence, the C&AG and the auditor appointed to audit the financial statements of the States of Jersey shall not act or do anything which might give rise to the perception that they act, as if they were a member of the Risk and Audit Committee.

## Those Charged with Governance of other entities

84. Auditors appointed to audit the financial statements of other entities shall:
- identify Those Charged with Governance of each entity;
  - consult with Those Charged with Governance on the development of, delivery of and changes to their plans for the audit of financial statements; and
  - present the results of their work on the financial statements to Those Charged with Governance to assist them in discharging their functions.
85. In order to preserve their independence, the C&AG and auditors appointed to audit the financial statements of other entities shall not act or do anything which might give rise to the perception that they act, as if they were Those Charged with Governance.

## States Assembly Scrutiny Panels

86. Scrutiny Panels are established under Article 48(4) of the States of Jersey Law 2005 and Standing Orders 135 to 141 of the Standing Orders of the States of Jersey. The Panels may scrutinise policy and make recommendations for improvement. Their remit therefore is different from that of the Public Accounts Committee.
87. The C&AG may possess expertise and insight relevant to the functions of Scrutiny Panels. Where requested by a Panel, the C&AG shall consider whether to provide evidence to a Panel where if, in their opinion, doing so would assist the Panel and not compromise the discharge of their functions.

## Chief Internal Auditor

88. Article 32 of the Public Finances (Jersey) Law 2019 ('the 2019 Law') requires:
- the Treasurer of the States to establish a system of internal auditing in support of the stewardship and administration of the public finances of Jersey and advise the C&AG, as well as the Principal Accountable Officer (if appropriate), of the results of internal audits carried out under that system;
  - the Treasurer of the States, with the agreement of the Minister for Treasury and Resources, to designate a person as the Chief Internal Auditor; and
  - the Chief Internal Auditor, in accordance with the Public Finances Manual, to carry out internal audits of States bodies, States funds and trust assets for the purpose of assisting the Minister for Treasury and Resources and Treasurer of the States in the performance of their functions under the 2019 Law.

89. The C&AG shall:
- liaise regularly with the Chief Internal Auditor, including in relation to the development of their work programme, the delivery of their work programme and the results of internal audit work undertaken; and
  - take into account the work of the Chief Internal Auditor in discharging their functions.

## Attorney General

### Suspected criminal activity

90. Article 20(6) of the 2014 Law requires that, if the C&AG, in carrying out their work, suspects any criminal activity, the C&AG shall report the suspicion to the Attorney General.
91. The C&AG shall make any report under Article 20(6) in writing as soon as reasonably practicable.

### Legal advice

92. Article 17(3) of the 2014 Law empowers the C&AG to seek legal advice from the Attorney General on any subject relevant to their functions.
93. The C&AG shall make any request under Article 17(3) in writing.

## Section 8: Other matters

### Ad hoc requests for auditors' views

94. The C&AG and audit firms appointed by the C&AG may receive requests for auditors' views on regularity, accounting treatment or performance management implications of proposed transactions or proposed courses of actions.
95. The C&AG and audit firms appointed by the C&AG shall consider responding to such requests whilst recognising that:
- they must not compromise their independence by involvement in decision making;
  - they are not financial or legal advisors; and
  - they should do nothing that would impede the ability of the C&AG or audit firms appointed by the C&AG to report in exercise of their statutory or professional responsibilities.

### Correspondence and other information

96. The C&AG may receive correspondence or other information from the public or other interested parties.
97. The C&AG shall consider whether such correspondence or other information is relevant to their functions and, if so, whether any work on their part is warranted and, if so, what work. The C&AG shall not assume any responsibility to report the results of such work to correspondents.

## Access to information from third parties

98. The C&AG has wide ranging statutory powers to obtain information to discharge their functions both from the entities to which their responsibilities relate and third parties.
99. Article 21 of the 2014 Law empowers the C&AG to:
- summons a person to appear before them;
  - require a person to produce a specified record;
  - require a person to answer questions; and
  - require a person who has access to a record to provide the information contained in it in a legible and comprehensive form.
100. The C&AG shall act professionally in exercise of these powers. The C&AG shall:
- other than in exceptional circumstances, consult the entity or entities to which their audit work relates prior to exercise of their powers to access information from third parties;
  - explain in writing to third parties the powers on which they are relying to obtain information and the purpose of the access to information;
  - limit their access to information to that necessary to obtain the information necessary for the purposes of their functions; and
  - provide third parties with reasonable time to provide access to information.

## Responsibilities to third parties

101. Auditors have responsibilities only to the addressees of their reports. They have no responsibilities to Ministers, Members of the States Assembly, the Principal Accountable Officer, Accountable Officers, officers or managers in their individual capacities.

102. Auditors have no responsibilities to third parties, such as correspondents bringing matters to their attention.

## Data and Records

103. The C&AG has:

- statutory duties in respect of data processing as a Data Comptroller under the Data Protection (Jersey) Law 2018; and
- statutory duties in respect of retention and transfer of records under the Public Records (Jersey) Law 2002.

104. The C&AG shall maintain appropriate arrangements to comply with the duties under the Data Protection (Jersey) Law 2018 and Public Records (Jersey) Law 2002.

## Auditors appointed by the C&AG

### Appointment

105. In exercise of the statutory provisions detailed in Appendix 2 to this Code, the C&AG appoints auditors to audit the financial statements of the States of Jersey and certain other entities.

106. The C&AG shall appoint auditors to undertake the audit of financial statements:

- following a transparent procurement process undertaken by the C&AG; or
- where the C&AG considers it to be appropriate, following a transparent procurement process undertaken by the entity in question.

107. The C&AG shall attach such conditions relating to appointments as they determine.

## Non-audit work

108. There are threats to integrity and objective where auditors provide other services to the States of Jersey, a States funded body, a body controlled by the States of Jersey or a body to which the C&AG appoints the auditor.
109. Auditors appointed by the C&AG shall:
- seek the consent of the C&AG prior to the provision of non-audit services to provide other services to the States of Jersey, a States funded body, a body controlled by the States of Jersey or a body to which the C&AG appoints the auditor; and
  - provide such information as the C&AG may require in order to allow them to determine whether to consent to any request to provide non-audit services.
110. In deciding whether to consent to auditors appointed by the C&AG undertaking non-audit work, the C&AG should consider in particular the potential for an actual or perceived threat to the independence of the C&AG, including the potential for the subsequent review by the C&AG of work undertaken by the auditor.

## Delegation of functions

111. Article 16 of the 2014 Law permits the C&AG to delegate any of their functions to a person with required qualifications and necessary experience on such terms, conditions and other limitations as they consider appropriate.
112. The C&AG shall:
- delegate functions where they believe it facilitates the effective discharge of their functions;
  - maintain a scheme of delegation and publish it on their website; and
  - provide a copy of the scheme of delegation to the Greffier of the States.

## Appendix 1

### Summary of statutory powers and duties

Provision	Power or Duty	Legislation
<b>States of Jersey</b>		
Provision of assurance to the States Assembly that the public finances of Jersey and specified funds are being regulated, controlled, supervised and accounted for in accordance with applicable legislation.	Duty	Article 11(1), Comptroller and Auditor General (Jersey) Law 2014
Reporting to the States Assembly on: <ul style="list-style-type: none"> <li>• general corporate governance arrangements;</li> <li>• the effectiveness of internal controls and of the auditing of those controls;</li> <li>• whether resources are being used economically, efficiently and effectively; and</li> <li>• actions needed to bring about improvement.</li> </ul>	Duty	Article 11(3), Comptroller and Auditor General (Jersey) Law 2014
Ensuring that an audit of the financial statements of the States of Jersey is undertaken within five months of the end of the financial year.	Duty	Article 12(1), Comptroller and Auditor General (Jersey) Law 2014
Attaching a note to the financial statements drawing the attention of the States Assembly to: <ul style="list-style-type: none"> <li>• any matter in the statements that should be of concern to or receive the attention of the States Assembly; and</li> <li>• any matter that prevented or hindered the audit of the financial statements or constituted a significant breach of a provision of relevant legislation.</li> </ul>	Power	Article 12(3), Comptroller and Auditor General (Jersey) Law 2014
<b>Independently audited States bodies</b>		
Appointment of auditors of other entities.	Duty	See Appendix 2

Provision	Power or Duty	Legislation
<p>Reporting to the States Assembly on:</p> <ul style="list-style-type: none"> <li>the accounts of a body;</li> <li>general corporate governance arrangements;</li> <li>the effectiveness of internal controls and of the auditing of those controls;</li> <li>whether resources are being used economically, efficiently and effectively; and</li> <li>actions needed to bring about improvement.</li> </ul>	Power	Article 13(1), Comptroller and Auditor General (Jersey) Law 2014
<b>States aided independent bodies</b>		
Auditing, arranging the audit of or ensuring the audit of the accounts of a body to obtain assurance about whether grant aid was used for the intended purpose.	Power	Article 14(2), Comptroller and Auditor General (Jersey) Law 2014
<p>Reporting to the States Assembly on:</p> <ul style="list-style-type: none"> <li>general corporate governance arrangements;</li> <li>the effectiveness of internal controls and of the auditing of those controls;</li> <li>whether resources are being used economically, efficiently and effectively; and</li> <li>actions needed to bring about improvement.</li> </ul>	Power	Article 14(3), Comptroller and Auditor General (Jersey) Law 2014
<b>General</b>		
Delegating functions to a person with the required qualifications and necessary experience on such terms, conditions and other limitations as they consider appropriate.	Power	Article 16(2), Comptroller and Auditor General (Jersey) Law 2014
Liaising with the Public Accounts Committee in discharging functions.	Duty	Article 17(2), Comptroller and Auditor General (Jersey) Law 2014
Attending all meetings of the Public Accounts Committee.	Duty	Article 17(2), Comptroller and Auditor General (Jersey) Law 2014
Requesting legal advice from the Attorney General.	Power	Article 17(3), Comptroller and Auditor General (Jersey) Law 2014
Preparing, publishing, keeping under review and revising a statement of how they propose to discharge their functions.	Duty	Article 18, Comptroller and Auditor General (Jersey) Law 2014

Provision	Power or Duty	Legislation
Preparing an Annual Report and Accounts for their Office.	Duty	Article 19, Comptroller and Auditor General (Jersey) Law 2014
Submitting reports to the Greffier of the States.	Duty	Article 20, Comptroller and Auditor General (Jersey) Law 2014
Requiring people to provide records and answer questions.	Power	Article 21, Comptroller and Auditor General (Jersey) Law 2014
Entering and inspecting buildings or other premises occupied or controlled by a States funded body.	Power	Article 22, Comptroller and Auditor General (Jersey) Law 2014



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## Appendix 2

### Auditors of financial statements appointed by the Comptroller and Auditor General

Body	Statutory provision
<b>States of Jersey</b>	
States of Jersey	Article 12(1), Comptroller and Auditor General (Jersey) Law 2014
Including:	
<ul style="list-style-type: none"><li>Social Security Fund</li></ul>	Article 12(1), Comptroller and Auditor General (Jersey) Law 2014
<ul style="list-style-type: none"><li>Social Security Reserve Fund</li></ul>	Article 12(1), Comptroller and Auditor General (Jersey) Law 2014
<ul style="list-style-type: none"><li>Health Insurance Fund</li></ul>	Article 12(1), Comptroller and Auditor General (Jersey) Law 2014
<ul style="list-style-type: none"><li>Long-Term Care Fund</li></ul>	Article 12(1), Comptroller and Auditor General (Jersey) Law 2014
<ul style="list-style-type: none"><li>Jersey Dental Scheme</li></ul>	Act of the States Assembly dated the 18 June 1991 adopting P.91/1991 and Schedule, Comptroller and Auditor General (Jersey) Law 2014 <sup>1</sup>
<b>Other entities</b>	
Competition Regulatory Authority	Article 17(3), Competition Regulatory Authority (Jersey) Law 2001
Data Protection Authority	Article 43(3), Data Protection Authority (Jersey) Law 2018
Financial Services Commission	Article 21(3), Financial Services Commission (Jersey) Law 1998
Gambling Commission	Article 18(4), Gambling Commission (Jersey) Law 2010
Jersey Advisory and Conciliation Service	Paragraph 10(3), Schedule, Jersey Advisory and Conciliation (Jersey) Law 2003
Public Employees' Pension Fund	Regulation 21(4), Public Employees (Pension Fund) (Administration) (Jersey) Regulations 2015
Teachers' Superannuation Scheme	Article 22, Teachers' Superannuation (Administration) (Jersey) Order 2007 <sup>2</sup>

<sup>1</sup> The Board established by the 1991 Act has decided to discharge its responsibility for the preparation of financial statements by the consolidation of the results of the Scheme in the financial statements of the States of Jersey.

<sup>2</sup> The Treasurer of the States has delegated to the C&AG the duty to appoint an auditor.

## Appendix 3

### Audit Quality Framework

#### Introduction

1. This Audit Quality Framework describes how the C&AG secures audit quality across all their work and that of the auditors they appoint.
2. The International Auditing and Assurance Standards Board (IAASB) states that: "Audit quality encompasses the key elements that create an environment which maximises the likelihood that quality audits are performed on a consistent basis." The IAASB further explains: "A quality audit is likely to have been achieved by an audit team that:
  - exhibited appropriate values, ethics and attitudes
  - was sufficiently knowledgeable, skilled and experienced, and had sufficient time allocated to perform the audit work
  - applied rigorous audit processes and quality control procedures that complied with law, regulation and applicable standards
  - provided useful and timely reports
  - interacted appropriately with relevant stakeholders."
3. Adopting this definition and scope of audit quality, the C&AG has established the following core principles:
  - audit quality should be embedded in the delivery of all audit work;
  - audit quality should be assessed in terms of outputs and outcomes as well as inputs and processes; and
  - the approach to audit quality should drive continuous improvement in public services.
4. Assurance about audit quality is secured at three levels (see Exhibit 1).

## Exhibit 1: Obtaining assurance about audit quality



### Appropriately trained and supported individuals and audit teams

5. The C&AG:
  - engages a Deputy Comptroller and Auditor General and affiliates following procurement processes that assess their skills and experience;
  - requires, where relevant, the Deputy Comptroller and Auditor General and affiliates to hold a practicing certificate from their professional institute; and
  - facilitates training for affiliates relevant to the work of the C&AG.
6. The C&AG:
  - appoints auditors of the States of Jersey and other entities following procurement processes that evaluate, amongst other things, the skills and competence of audit teams and the key individuals deployed on audit engagements; and
  - where appropriate, requires prior approval of changes in key members of the audit teams.

### Organisation-wide arrangements for quality control

7. The C&AG establishes appropriate arrangements for securing audit quality of their work including:

- arrangements for identification, evaluation, reduction of and reporting threats to independence. Such arrangements include a system of annual declaration of independence by individuals working for the C&AG;
  - establishing and implementing a consistent approach for undertaking audit work. This approach includes appropriate arrangements for peer review of work undertaken and judgements made; and
  - seeking feedback from the bodies to which audit work relates on the quality of work undertaken.
8. In relation to the auditors appointed to undertake the audit of the financial statements of the States of Jersey and other entities, the C&AG:
- evaluates organisational arrangements for quality control prior to making an appointment and annually during the audit appointment;
  - adapts the approach to oversight of the work of auditors in light of their assessment of risk to audit quality; and
  - reserves the right to terminate the appointment of an auditor at any time.

### Independent audit assurance activity

9. In relation to the work that they undertake, the C&AG may invite public audit agencies to review the quality of audit work.
10. In relation to auditors of financial statements appointed by the C&AG, the C&AG:
- requires auditors to provide information annually about the operation of their arrangements for quality control, including breaches and weaknesses identified and corrective action;
  - seeks feedback annually from management and Those Charged with Governance of the entities to which the C&AG appoints auditors about the quality of audit work undertaken; and

- may review, or appoint a person or persons to review, the quality of audit work undertaken, including through review of audit working papers.

## Reporting

11. The C&AG includes within their Annual Report:
  - a summary of their activities to secure audit quality for their own work and that of the auditors of financial statements that they appoint;
  - a summary of the outcomes of those activities; and
  - details of any actions being taken or planned to improve audit quality.

## Appendix 4

### Summary of responsibilities of public bodies

#### Financial statements

- Put in place systems of internal financial control, including to ensure the regularity and lawfulness of transactions.
- Maintain proper accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements.
- Prepare financial statements on a timely basis in accordance with the applicable accounting framework.
- Where required to do so, prepare and publish an annual report alongside their financial statements. Such annual reports should communicate relevant information clearly and concisely.

#### Financial statements – additional responsibilities for the States of Jersey

- Prepare the financial statements in accordance with the accounting standards directed by the Minister for Treasury and Resources in the Public Finances Manual.
- Prepare a Governance Statement.

#### Corporate governance

- Establish arrangements to ensure the proper conduct of their affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. They should involve Those Charged with Governance (including audit committees or equivalent) in monitoring these arrangements.

## Internal control

- Develop and implement effective systems of internal control, including financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They shall include:
  - effective risk-management and, where appropriate, internal audit functions;
  - arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place; and
  - arrangements to ensure that their financial position is soundly based having regard to compliance with statutory financial requirements, achievement of financial targets, adequacy of balances and reserves, dealing with uncertainty in the medium- and long-term and the impact of planned policies and foreseeable developments.

## Economy, efficiency and effectiveness

- Establish arrangements to secure economy (minimisation of the costs of inputs), efficiency (maximising the outputs from the inputs) and effectiveness (maximising the alignment between the outputs and the outcomes desired).

## Follow up of previous audit recommendations

- Consider recommendations made by the C&AG and auditors appointed by the C&AG.
- Determine whether to accept recommendations and, if so, what action to take.

- Monitor implementation of agreed audit recommendations and the impact secured.
- Take corrective action where appropriate.

## Appendix 5

### Glossary of terms

Term	Meaning
Auditing standards	Standards, issued by the Financial Reporting Council, which auditors are required to comply with when conducting an audit of the financial statements.
Auditors	The C&AG and auditors appointed by the C&AG.
C&AG	See Comptroller and Auditor General.
Chief Internal Auditor	A person, designated by the Treasurer of the States with the consent of the Minister for Treasury and Resources, under Article 32 of the Public Finances (Jersey) Law 2019, to carry out internal audits for the purpose of assisting the Minister and Treasurer in the performance of their statutory functions.
Code (the)	The Code of Audit Practice issued by the C&AG under Article 18 of the Comptroller and Auditor General (Jersey) Law 2014.
Comptroller and Auditor General (C&AG)	Independent officer appointed by the States Assembly under Article 3 of the Comptroller and Auditor General (Jersey) Law 2014.
Corporate governance	The system of structures, rights, duties and obligations by which organisations are directed and controlled.
<b>Duty</b>	A function that an office holder is obliged to perform.
Economy	Minimising the cost of resources used or required.
Efficiency	The relationship between the output from goods or services and the resources to produce them.
Effectiveness	The relationship between the intended and actual results of public spending.
Ethical standard	A standard, issued by the UK Financial Reporting Council, that auditors are required to comply with when conducting an audit of the financial statements.
Financial reporting framework	The authoritative framework directed for adoption by or adopted by an entity governing how transactions and balances are to be recognised, measured, presented and disclosed in financial statements.
Financial statements	Statements that entities are required to prepare setting out what they spend and receive and what they own and owe. For the purpose of providing an opinion, the Code interprets relevant



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Term	Meaning
	statutory references to 'accounts' or 'the financial statement' as equivalent to 'financial statements'.
Governance Statement	A statement that the States of Jersey publishes alongside their financial statements, bringing together in one place disclosures about its governance framework, including risk management and internal control, and how this has operated during the year.
Government Plan	An annual document prepared by the Council of Ministers and approved by the States Assembly setting out budgets for one year and financial projections for a further three years.
Have regard to	A requirement that an auditor must take into account guidance and, if they decide not to follow it, must give clear (in the sense of objective, proper, and legitimate) reasons within audit documentation as to why they have not followed the guidance.
Independently audited States bodies	An entity other than the States of Jersey established by legislation or an Act of the States Assembly which provides for audit of the financial statements other than by the C&AG; or A company owned or controlled by the States of Jersey.
Independent Auditor's Report	The report issued by auditors appointed to audit financial statements at the conclusion of their audit and published with the financial statements, including their opinion on the financial statements.
Internal control	The policies, processes, tasks, behaviours and other aspects of an organisation that taken together: <ul style="list-style-type: none"><li>• facilitate its effective operation, including safeguarding of assets and ensuring that liabilities are identified and managed;</li><li>• ensure the quality of internal and external reporting; and</li><li>• ensure compliance with applicable laws and regulations and internal policies.</li></ul>
Other entities	Entities other than the States of Jersey to which the C&AG appoints auditors (see Appendix 2).
<b>Power</b>	A function that an office holder has a discretion to perform.
Public Accounts Committee	A Committee of the States Assembly responsible for receiving reports from the C&AG, assessing whether public funds have been applied for the purposes intended by the States Assembly and assessing whether extravagance and waste are being eliminated and sound financial practices applied throughout the States of Jersey.
Public Finances Manual	A Manual issued by the Minister for Treasury and Resources under Article 31 of the Public Finances (Jersey) Law 2019, including directions and information relating to the proper



## JERSEY AUDIT OFFICE

Term	Meaning
	administration of the public finances of Jersey, including the accounting standards for the financial statements of the States of Jersey.
Regularity	A concept relating to the application of funds for the purposes intended by the legislature and in accordance with a relevant framework of authorities.
Remuneration Report	A report published alongside the financial statements that provides details of senior managers' salary, pension and other benefits.
Scrutiny Panels	Panels established by the States Assembly that are responsible for scrutinising existing and proposed policy, draft legislation, Orders made by Ministers and draft financial proposals.
Statement of Outturn Against Approvals	A statement included in the States of Jersey's financial statements reporting performance against the approved budget.
States aided independent bodies	A body referred to in Article 14 of the Comptroller and Auditor General (Jersey) Law 2014 being a body that in a financial year receives an amount of money from the States of Jersey to aid it to carry out its activities.
States of Jersey Core Entities	The States of Jersey's Consolidated Fund, Trading Operations, Strategic Reserve, Stabilisation Fund, Insurance Fund, Separately Constituted Funds, Social Security Fund, Social Security (Reserve) Fund, Health Insurance Fund, Long-Term Care Fund and Jersey Dental Scheme.
Significant/ significance	A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the entity to which their work relates or the wider public. Significance has both qualitative and quantitative aspects.
States of Jersey Risk and Audit Committee	A non-statutory Committee that advises the Ministers, the Treasurer of the States and the Principal Accountable Officer on matters relevant to their responsibilities.
Those Charged with Governance	The persons with responsibility for overseeing the strategic direction of an entity and obligations related to the accountability of the entity, including overseeing the financial reporting process. Auditors appointed to audit financial statements have professional responsibilities to report certain matters to Those Charged with Governance.
2014 Law	The Comptroller and Auditor General (Jersey) Law 2014, the key legislation relating to public audit in Jersey.
2019 Law	The Public Finances (Jersey) Law 2019.



JERSEY AUDIT OFFICE

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