

**THE COMPTROLLER & AUDITOR GENERAL'S
ANNUAL REPORT**

FOR THE PERIOD ENDED 31 DECEMBER 2010

JULY 2011

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Introduction

1. This annual report covers the year ended 31 December 2010.
2. In this Report, I will review:
 - (1) how I have sought to accomplish the purposes set out by the Public Finances Law 2005;
 - (2) the reports published during the period covered by this Report;
 - (3) the way in which the work done has followed the framework set out in my Consultative Document published in 2008;
 - (4) the relationship with the States' Public Accounts Committee; and
 - (5) the work currently in hand and soon to be published.

Public Finances Law 2005

3. The duties of the C&AG are set out in the Public Finances Law 2005 in the following way:

“46 (1) It is the duty of the Comptroller and Auditor General to provide the States with independent assurance that the public finances of Jersey are being regulated, controlled and supervised and accounted for in accordance with this Law and that the provisions of this Law are otherwise being duly complied with.

(2) That duty shall be taken to include, in particular, assuring the States –

- (a) that money withdrawn from the consolidated fund, the strategic reserve fund or the currency fund was used for the purpose for which it was authorized to be withdrawn; and*
- (b) that all income due to the States has been collected or otherwise duly accounted for.*

(3) It shall also be taken to require the Comptroller and Auditor General to consider and report to the States on –

- (a) the effectiveness of the internal financial controls of States funded bodies and the internal auditing of those controls; and*
- (b) the economy, efficiency and effectiveness in the way they use their resources of States funded bodies, independently audited States bodies (other than those that are companies owned or controlled by the States), and States aided independent bodies; and*
- (c) the general corporate governance arrangements of the States and of States funded bodies, independently audited States bodies and States aided independent bodies,*

and, in each case, to make recommendations to bring about improvement where improvement is needed.

47 (1) When the annual financial statement on the accounts of the States for a financial year is sent to the Comptroller & Auditor General by the Treasurer in accordance with Article 32(1)(b) the Comptroller & Auditor General must ensure:

- (a) that the audit of it is completed;*
- (b) that a certificate from the person carrying out the audit is attached to the statement; and*
- (c) that the statement with the attached certificate and any note mentioned in paragraph (3) are forwarded to the Minister.”*

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4. I discharge these duties in the following way:

- (1) Annual financial statement: in 2006 I appointed PricewaterhouseCoopers (PWC) to undertake the audit of the annual financial statements of the States of Jersey and of the Social Security Funds. As a part of the annual audit PWC also establish for the purposes of the audit and report to me that the public finances are regulated in accordance with the requirements of the law and that money withdrawn is used for the purpose for which it was authorised to be withdrawn (see the requirements of Articles 46(1), 46(2), and 47(1) above).
- (2) Internal controls: the audit carried out by PWC also involves work to establish, within appropriate materiality constraints, the effectiveness of the States' internal controls which are of course described in the Statement on Internal Control published with the Annual Financial Statements of the States of Jersey (see the requirements of Article 46(3)(a) above).
- (3) Internal audit: in 2006 I commissioned a review of the internal audit arrangements in place within the States which led to a number of changes in the organisation of internal audit. A further review had been conducted during 2011, five years after the first such review.
- (4) Economy, efficiency and effectiveness: during the period covered by this Report, I have undertaken a number of exercises which have tested these aspects of the States' activities.
- (5) Corporate Governance: I have undertaken a number of reviews of governance within the States.

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5. A complete list of the reports published during the period covered by this Report (and subsequently) is set out in Appendix One. Copies of all of these reports are available by way of my own website and that of the States Greffe.

Programme Consultation Document 2008

6. The proposals that I published in 2008 envisaged that a number of activities would be undertaken:

- (1) the audit of the annual financial statements of the States: the audit has been undertaken on my behalf by PWC as described above.
- (2) a review of the state of financial management within the States: a report was published in June 2009: proposals for regular reviews of the state of financial management were published in November 2008.
- (3) a review of performance reports published by the States and of ways in which assurance can be provided as to their reliability: it was announced earlier in 2011, that my office will be responsible for publication of future performance reports by the States.
- (4) the audit of the financial statements of other funds for whose audit the C&AG is responsible: the new Arrangements for the audit of the States' charitable funds have continued. Further, work has been done to identify all 'special funds' of the states which have not been regularly audited to ensure that appropriate audit arrangements are put in place.
- (5) reviews of any major asset disposals by the States: a report was published in November 2010.
- (6) publication of comparisons between the costs of the Island's public services and those of similar mainland services: an interim report was submitted to the Public Accounts Committee (and the Public Accounts Committee of the States of Guernsey) towards the end of 2010.
- (7) a follow-up assessment of the States' response to the challenges set out in the conclusions of the Spending Review: currently being undertaken by the Public Accounts Committee.

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7. In addition, to these activities:

(1) Whistle-blowing

I respond to various whistle-blowing reports from members of the public and to various matters raised by employees of the States under the States' Serious Concerns policy by which employees may raise matters confidentially. The matters raised, the action taken and their current status are set out in summary in Appendix Two. In the course of this, it became apparent that the rules were potentially in conflict with data protection legislation. With my encouragement, the rules have been revised to avoid this problem.

(2) Scrutiny Panels

From time to time, I provide support for Scrutiny Panels in their enquiries. During 2010, I assisted the Corporate Services Panel by providing information concerning the trends in States' expenditure. When I have done this, the information that I provide is published in the form of a report so that there is no loss of transparency.

(3) Other enquiries

From time to time, I undertake private enquiries and provide support and advice on occasions when discretion is required. A substantial volume of such work arose during 2010.

Public Accounts Committee

8. Under the Public Finances Law, I am personally responsible for the programme of work that I undertake which I prepare in the light of my own assessment of priorities for my attention and responses to the Consultation Documents that I publish from time to time. The Public Accounts Committee scrutinise my reports and take what ever action is deemed appropriate in response to those reports.
9. In addition, during the past three years I have briefed the Committee on issues as they arise and in particular provide commentaries for the Committee on the Annual Financial Statements of the States of Jersey and the Social Security Funds. Apart from the overall commentary on the accounts, I have also provided detailed briefs to members of the Committee in preparation for the Committee's hearings to consider the annual accounts and other matters. The briefing documents are private to the Committee.
10. Naturally, the Committee's reports are the responsibility of the Committee alone.

Current work

11. The work currently in hand consists of:
- (1) a review of the States' recording and management of sickness absence levels;
 - (2) a review of contracting at Jersey Airport;
 - (3) a review of the management of the bus contracts;
 - (4) a review of the cost to the States of pharmacy services;
 - (5) a review of action taken to improve data security; and
 - (6) a review of the States' internal audit function.

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APPENDIX ONE ≈ REPORTS PUBLISHED

February 2010 Review of provisions of the Public Finances Law 2005
November 2010 Public Library service
November 2010 Asset disposals by the States during 2009

Subsequently

February 2011 Jersey International Air Display: relationship with the States
March 2011 The States' management of remuneration for senior posts
May 2011 Charitable funds of the States

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APPENDIX TWO ≈ WHISTLE BLOWING

The whistle blowing reports received (both from States employees and from others) during and since the end of the period, and the action taken in respect of each report are summarised below. Matters are reported and examined on a confidential basis.

<i>Title/ details</i>	<i>Current state</i>	<i>Next stage</i>
Agricultural funds – two reports have been received since 1 January 2011 – alleging that grants have been made in appropriately.	Consideration is being given to commissioning investigating accountants to review a sample of grants to establish whether the allegations can be substantiated.	Undertake the review.
Hautlieu School – anonymous letter raising questions about the reasons for replacement of tiles on the school roof.	Enquiries made of Jersey Property Holdings concerning the events that led to this.	Evaluate when further information is received.
Economic Stimulus – question raised by a member of the public concerning the availability of information concerning the nature of the expenditure.	Response received from the Treasurer – summary information to be included in the annual accounts – detailed report to be published subsequently – now done.	No further action required as the necessary information was published.
Airport – information received during 2010 and subsequently alleging the mishandling of a number of contracts.	The fact that a number of reports have now been received, the initial allegations require investigation. This decision was discussed with the Public Accounts Committee.	A firm of investigating accountants is being commissioned to undertake this work.
States Serious Concerns Policy - a complaint was received that there appeared to be a conflict between the Serious Concerns Policy and the Data Protection Law which exposed internal whistle blowers to the possibility of prosecution.	It was agreed with the States' Human Relations Department that the Serious Concerns Policy should be amended to avoid this possibility.	Matter concluded.
States – an allegation was received that the States' redundancy policy had been applied in a partisan manner.	The issue arose from personal circumstances and was resolved.	Matter concluded.
Health – an allegation was received that the Department had failed to pay appropriate attention to risk to an employee's safety.	The case is suspended while the employee's claim against the States proceeds.	Evaluate the evidence for the alleged failure once the employee's claim has been resolved.
Harbour - alleged failure by Jersey Harbour to manage properly risks to employees' safety.	The case is suspended while the employee's claim against the States proceeds.	Evaluate the evidence for the alleged failure once the employee's claim has been resolved.