

Code of Audit Practice

Revision – 1 December 2016

Explanatory Note

Introduction

Article 18 of the Comptroller and Auditor General (Jersey) Law 2014 requires me to prepare and publish a statement on how I propose to discharge my functions under the 2014 Law. It also requires me to:

- keep the statement under review and revise it as necessary;
- provide a copy of the statement, and any revision to it, to the Greffier of the States who shall lay it before the States.

In exercise of my functions under Article 18 I issued a Code of Audit Practice in November 2014.

I have kept the Code under review and identified a need to revise the Code of Audit Practice in two areas. I have therefore issued a revised Code of Audit Practice. This Explanatory Note explains the reasons for the changes.

Reporting on the regularity of income and expenditure (paragraph 3.8)

Article 11 of the Comptroller and Auditor General (Jersey) Law 2014 requires me to provide assurance on whether the public finances of Jersey and specified funds are being regulated, controlled, supervised and accounted for in accordance with relevant legislation.

In my report 'Public Audit in Jersey' issued in July 2013 I proposed that, to facilitate the discharge of this responsibility, the auditors of the States' accounts be required to give a 'regularity opinion' alongside the 'true and fair view opinion' on the States' accounts. The 'regularity opinion' reports on whether income and expenditure have been applied for the purposes intended by the legislature and in accordance with 'governing authorities'. In the United Kingdom reporting on regularity is governed by guidance issued by the Financial Reporting Council. Explicit reporting on regularity is a common feature of public audit in many jurisdictions.

Paragraph 3.8 of the 2014 Code of Audit Practice provided for an introduction of a published 'regularity opinion' for the audit of the States' accounts for the year ending 31 December 2016 and for narrative reporting to me of the results of the audit work necessary to give a regularity opinion for earlier years.



The revised Code of Audit Practice defers the requirement to give a 'regularity opinion' to the audit of the States' accounts by one year to the year ending 31 December 2017 (but with the equivalent underlying work continuing to be undertaken and the results reported to me).

There are two reasons for the deferment:

Firstly, it is designed to align the introduction of the period covered by the first 'regularity opinion' with the introduction by the Treasurer of the States of a new suite of Financial Directions from 1 January 2017. These are a major component of the 'governing authorities'.

Secondly, it is designed to coincide with changes to the annual accounts of the States that the Treasurer is proposing for 2017 which facilitate identification of transactions subject to statutory or Treasury authorities. These changes are:

- reporting more prominently the States' financial performance against the budget approved by the States Assembly; and
- disaggregating the financial performance of the Consolidated Fund, other Funds established under the Public Finances (Jersey) Law 2005 and the Social Security Funds from that of the three companies whose results are consolidated in the States' annual accounts (Andium Homes Limited, Ports of Jersey Limited and the States of Jersey Development Company Limited).

Paragraph 3.8 of the Code has been expanded to require the auditors of the States' accounts, in undertaking the work necessary to give the 'regularity opinion', to have regard to any guidance issued by the Comptroller and Auditor General. Issuing guidance helps auditors to interpret, in the context of Jersey, guidance issued by the Financial Reporting Council.

Reporting wider themes from audit work (paragraphs 6.3 to 6.5)

The 2014 Code of Audit Practice provided for issuing an Annual Audit Letter drawing together the results of audit work.



Reporting on common themes arising from audit work, or the implementation of audit recommendations, is a useful way of communicating the results of audit work and driving worthwhile change. However, the current Code:

- restricts reporting to an annual cycle;
- requires the report to draw together the findings of all the audit work in the year.

The amendment to paragraph 6.4 provides for greater flexibility in the timing and contents of reports drawing out themes from audit work. This greater flexibility is designed to enhance the effectiveness of my reporting.

Paragraph 6.5 of the Code has been amended to reflect this change.