

Thursday 29 June 2017

Fundamental Review needed of Arm's length organisations

Comptroller and Auditor General issues latest report

Comptroller and Auditor General (C&AG) Karen McConnell has today (29 June 2017) published her report into the Oversight of Arm's Length Organisations (ALOs).

Modern government relies on delivery of services not only directly by ministerial departments but indirectly through other bodies. Both income and expenditure can be significant. The States financial reports reflect:

- 38 significant grants (each being over £75,000) with a total value of approximately £38m paid to a diverse range of ALOs in 2016; and
- 3 bodies levied statutory fees totalling almost £16m in 2015.

The C&AG found that there was no clear framework that drives either the establishment of ALOs or their periodic review. There are no overarching principles driving the governance arrangements for ALOs. There is no clear basis for differences in the status of bodies (some are charities, some limited companies and some statutory bodies) or in the numbers of board members and whether or not they are remunerated.

These organisations are created to meet States objectives but measurement and oversight of achievement of these objectives is highly variable. That means it is hard to demonstrate that value for money is being consistently secured.

Karen McConnell concluded that the value of the services ALOs provide and the use of ALOs as the vehicles for service delivery need to be challenged routinely. The States has allowed a patchwork of internal governance arrangements to develop. The current framework for the governance arrangements needs strengthening.

Oversight of ALOs is variable. The States cannot consistently demonstrate that value for money is being secured from ALOs and there are opportunities to secure efficiencies. Benchmarking of costs should be routinely used and information needs to be collected on the costs of effective oversight to drive better and more effective reviews.



Karen McConnell said:

“There are good reasons why government may decide that it is more appropriate to establish or fund bodies rather than undertaking activities directly, but this is not without potential costs or risks. The funding of an Arm’s Length Organisation does not relieve government or the individual Accounting Officer from a responsibility for ensuring that good governance is being demonstrated, effective internal control is in place and value for money is being secured. Without proper arrangements for these bodies it is easy for them to become out of sight and out of mind.

Current arrangements in place for oversight of these organisations are not consistently fit for purpose. More needs to be done to demonstrate that these diverse organisations have effective governance and provide good value for money. Regular fundamental reviews of these organisations should challenge whether they need to change or indeed are still needed at all.

I welcome the review of these bodies announced by the Chief Minister following my report on the Jersey Innovation Fund. I intend to review some individual organisations in more detail over the next few years.”

The report will be available on the Jersey Audit Office’s website from 0930 on 29 June at (www.jerseyauditoffice.je).

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Notes to Editors:

- The Office of Comptroller and Auditor General ('C&AG') was established in 2005 and operates under the Comptroller and Auditor General (Jersey) Law 2014
- The remit of the C&AG includes the audit of financial statements and wider consideration of public funds, often expressed as 'value for money'
- Karen McConnell was appointed in 2013 and the term of office was extended in 2014 to December 2019
- Formerly of the UK Audit Commission ('the Commission'), Karen held a variety of senior positions, including leading the Audit Practice
- The Office of Comptroller & Auditor General is known as the 'Jersey Audit Office'
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- Other press releases/ statements may be made on an occasional basis, and not necessarily dependent upon the publication of a report. They will be subject to the same embargoes
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- The C&AG is prepared, on an occasional basis, to provide articles for publication in the local media, following a specific request and consideration of the relevant topic
- All public information, including press releases and reports, are accessible on the Jersey Audit Office website at www.jerseyauditoffice.je

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