



Office of the Comptroller and Auditor General

Audit Plan

10 September 2018



JERSEY AUDIT OFFICE

Audit Plan

Introduction

Scope of this plan

- 1.1 This audit plan sets out how I intend to deliver my responsibilities as Comptroller and Auditor General (C&AG). The plan is prepared to discharge my responsibilities under the Comptroller and Auditor General (Jersey) Law 2014 ('the 2014 Law').
- 1.2 My term of office finishes on 31 December 2019. However, reflecting the continuity of the office, this plan covers, in indicative terms, the period to December 2021.
- 1.3 Under Article 17 of the 2014 Law I may not be directed in how I undertake my functions. However, I have a duty to attend meetings of and liaise with the Public Accounts Committee (PAC). I have done so in preparing this plan and, as always, I value their thoughts and contribution to my thinking.
- 1.4 The plan is subject to review and change in light of changes in the risks that I identify, including as a result of matters brought to my attention by the PAC, members of the States Assembly, officers of the States and others. I shall advise the PAC of any changes to the plan.

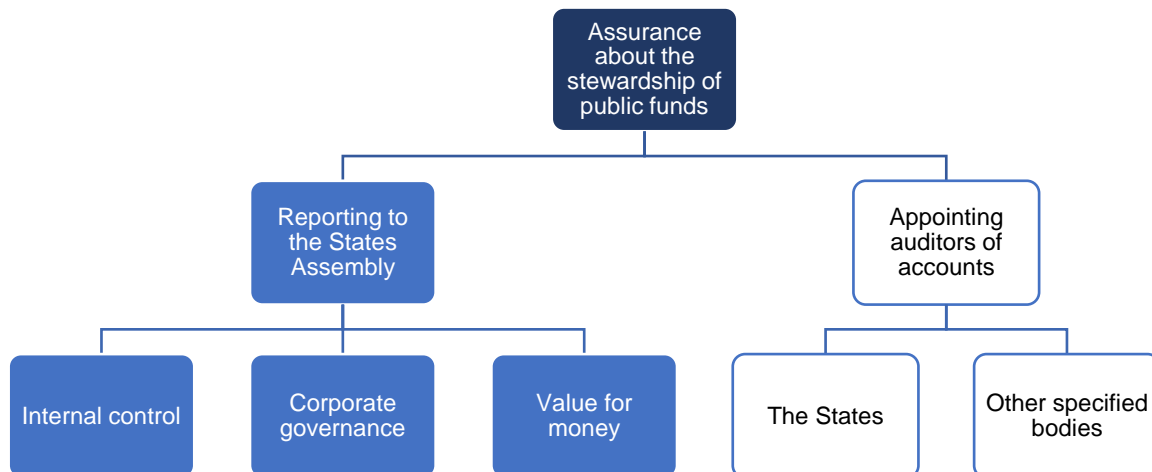
Structure of this plan

- 1.5 This report comprises:
 - Section 2 that sets out my statutory responsibilities;
 - Section 3 that sets out how I plan to discharge my responsibilities in relation to internal control, corporate governance and value for money;
 - Section 4 that sets out how I plan to discharge my responsibilities in relation to the audit of accounts; and
 - Section 5 that sets out other documents that I propose to issue.

My statutory responsibilities

- 2.1 My responsibilities are to provide independent, robust assurance about the stewardship of public funds by:
- reporting to the States Assembly on the effectiveness of internal control, general corporate governance arrangements and economy, efficiency and effectiveness ('value for money'); and
 - appointing auditors of the accounts of the States (including the Social Security Fund, the Social Security (Reserve) Fund, the Health Insurance Fund and the Long Term Care Fund) and certain other specified entities.
- 2.2 My responsibilities are summarised in Exhibit 1.

Exhibit 1: Responsibilities of the Comptroller and Auditor General



- 2.3 In accordance with the 2014 Law I published a Code, specifying how the Office of the C&AG should perform its functions. The Code covers:
- overall principles (including the principles of public audit, exercise of discretion, maintaining audit quality and compliance with professional standards);
 - planning (including continuous planning and consideration of information received);
 - the opinion on financial statements (including on the regularity of income and expenditure);
 - other responsibilities (financial control, value for money and corporate governance);
 - follow up of implementation of previous audit recommendations; and

- reporting (including the Annual Report) and liaison (including with PAC, the Audit Committee and Scrutiny Panels).

2.4 I will adhere to the Code when planning and undertaking my work.

Internal control, corporate governance and value for money

How I plan my work

3.1 To deliver a proportionate and effective work programme, I plan my work using a risk based approach. There are four key stages to my audit planning cycle (see Exhibit 2).

Exhibit 2: The Audit Planning Cycle



3.2 In developing my audit plan I take account of a wide range of risks facing the States of Jersey, including:

- strategic risks arising from governance functions and those risks that are known to the States and managed through their existing risk systems;
- operational risks arising from the delivery, support and front line service functions;
- business change risks arising from the introduction of new systems and processes; and
- emerging risks arising from changes outside the States' control.

Priorities in planning my work

3.3 Since 2013 the focus of my work has shifted. Initially, my focus was on key governance arrangements across the States. Subsequently, I have placed an increasing focus on value for money, following up the implementation of previous recommendations and drawing out key themes arising from my work.

- 3.4 Corporate governance will continue to be a major focus of my work as it underpins the arrangements that secure value for money and effective internal controls.
- 3.5 From January 2018 and the appointment of the new Chief Executive there have been major changes taking place as the new Target Operating Model is introduced. Change of this magnitude can deliver substantial benefits but there are associated risks. As a result, I plan that my work will concentrate on the risks arising from change including:
- keeping an overview of arrangements for ensuring that control is maintained during a period of major and rapid change;
 - keeping a watching brief on changes in arrangements for financial management which should address the implementation of the many recommendations I have made in this area;
 - monitoring the implementation of previous recommendations where the responsibility for implementation may have changed under the new Target Operating Model; and
 - focussing on elements of the States outside the ministerial departments directly affected by the move to the new Target Operating Model.

Indicative plan to December 2021

- 3.6 My indicative audit plan for the next three years is presented in Exhibit 3. This indicates the work I propose to undertake each year and the audit objectives to which the work relates. I shall update the plan in light of changes in my assessment of risks and priorities.
- 3.7 The plan reflects:
- three pieces of work - the Governance Arrangements for Health and Social Care, Visit Jersey and the States Employment Board - that were included in my previous plan. These are scheduled for publication by December 2018;
 - my decision to defer completion of my follow up review of the States as Shareholder that was included in my previous plan. This will allow a further period for implementation of recommendations that I have previously made; and
 - my intention to maintain a watching brief on all risks arising from change. I have not scheduled to report to the States Assembly as a result of this work but, if necessary, will do so and/or adjust my work programme in response to developments.

Exhibit 3: Indicative plan to December 2021

Areas for review	Internal Control	Value for Money	Corporate Governance	Sept 2018-Dec 2019	2020	2021
Reports to the States Assembly						
Governance Arrangements for Health and Social Care			✓	✓		
Visit Jersey	✓		✓	✓		
The States Employment Board	✓		✓	✓		
States of Jersey Development Company	✓	✓	✓	✓		
Grants to Cultural Organisations (including Jersey Opera House)	✓	✓	✓	✓		
Using Enforcement Powers	✓		✓	✓		
Handling and Learning from Complaints			✓	✓		
Oversight of Remuneration within States Owned Companies and Arm's Length Organisations (ALOs)	✓	✓	✓	✓		
Non-Ministerial Departments	✓	✓	✓	✓		
Anti-Corruption Arrangements	✓		✓	✓		
Long Term Care Fund	✓	✓	✓	✓		
Portfolio, Programme and Project Management	✓	✓	✓		✓	

Areas for review	Internal Control	Value for Money	Corporate Governance	Sept 2018- Dec 2019	2020	2021
Insurance		✓	✓	✓		
Changes in ICT		✓	✓		✓	
Infrastructure Assets		✓			✓	
Primary Care	✓	✓	✓		✓	
Health Informatics		✓	✓			✓
Watching Brief	✓	✓	✓			
Follow up of previous recommendations	✓	✓	✓	✓	✓	✓

Detailed plan to December 2019

3.8 My detailed plan to December 2019 is set out in Appendix 1. I shall update this plan on a quarterly basis and present it to the PAC. This plan and updates to it will be published on the Jersey Audit Office (JAO) website: jerseyauditoffice.je.

Delivering the plan

3.9 I plan to deliver the reviews through the JAO with the assistance of:

- a deputy based off-island and on-island support;
- affiliates engaged to provide specialist knowledge and experience when required. I plan to supplement my affiliate pool this year; and
- where appropriate, additional support from PricewaterhouseCoopers LLP (PwC) or from other public audit agencies, including the UK National Audit Office.

Appointing auditors of accounts

Audit of the States' accounts

- 4.1 The States have a statutory duty to prepare financial statements (including the accounts of the Social Security Fund, the Social Security (Reserve) Fund, the Health Insurance Fund and the Long Term Care Fund) within three months of the year end and I have a duty to secure that an audit is undertaken within five months of the year end.
- 4.2 From 2017 I extended the scope of the audit so that it included not only an opinion on the truth and fairness of the financial statements but also an opinion on the 'regularity' of income and expenditure, in other words whether it is:
- in accordance with the intentions of the States Assembly; and
 - in compliance with relevant legislation, directions and other authorities.
- 4.3 Following a competitive tender process in 2015, I awarded a five year contract to PwC to undertake the audit of the States' accounts. I am concerned to ensure that the States receive a high quality and effective audit. To that end, I meet with the Partner and Director from PwC regularly to discuss audit risks, monitor progress of work and review the implications of their findings. I report on any issues that should be brought to the attention of the States Assembly.
- 4.4 The Chief Executive is keen to secure earlier reporting of performance to the public and the States Assembly. He has asked the Treasurer of the States to bring forward the preparation of the States' 2018 accounts and that the audit process is brought forward.
- 4.5 There are evident benefits in earlier financial reporting. However moving to earlier reporting involves:
- risks for the preparers that need to be managed. I am currently undertaking a short piece of work to consider the nature and extent of those risks; and
 - potential changes to the approach adopted by the auditors and resourcing of the audit. PwC tendered on the basis of the statutory timetable for the finalisation of the audit which allowed them to place less reliance on the audit of estimates and to schedule Jersey-based staff to undertake audit work in April and May, after the peak in audit work for financial services industry clients early in the year. PwC has advised me that an earlier audit is likely to require more senior staff and a UK-based team with potentially significant cost implications.
- 4.6 I am considering whether, given the States' aspiration for earlier financial reporting, to end the existing contract for the audit of the States' accounts at the conclusion of the 2018 audit and to invite new tenders, based on an earlier date for completion of the audit for the accounts for 2019 onwards.

Audit of the accounts of other bodies

- 4.7 I have a statutory duty to appoint the auditors of other entities specified in legislation. In one case, pending proposed legislative change, I have appointed an auditor at the request of the Treasurer of the States (see Exhibit 4).

Exhibit 4: Auditors of other bodies appointed by the Comptroller and Auditor General

Body	Nature of appointment	Auditor appointed
Public Employees' Pension Fund	Statutory	PricewaterhouseCoopers LLP
Jersey Teachers' Superannuation Fund	At request of the Treasurer of the States	PricewaterhouseCoopers LLP
Financial Services Commission	Statutory	BDO LLP
Gambling Commission	Statutory	Deloitte LLP
Competition Regulatory Authority	Statutory	BDO Limited
Jersey Arbitration and Conciliation Service	Statutory	BDO Limited

Other publications

5.1 I summarise other publications planned to December 2019 in Exhibit 5.

Exhibit 5: Other publications planned

Publication	Comments
Audit plan	Due to be published September 2018
Annual Report and Accounts 2017	Due to be published September 2018
Annual Report and Accounts 2018	Planned to be published in Summer 2019
Public Audit in Jersey – an Update	Planned to be published in Autumn 2019

5.2 In July 2013 I issued a report entitled 'Public Audit in Jersey' that reviewed arrangements for public audit in Jersey against international standards and best practice and recommended changes. My recommendations were accepted and led to the Comptroller and Auditor General (Jersey) Law 2014. I plan to update that review in light of my subsequent experiences and publish a report before the end of my term of office.

Detailed plan September 2018 to December 2019

Areas for review	Status	Comment
Reports to the States Assembly		
Governance Arrangements for Health and Social Care	Finalisation	Report due to be published in September 2018
Visit Jersey	Fieldwork complete	Work commenced in January 2018
The States Employment Board	Fieldwork in progress	Work commenced in April 2018
States of Jersey Development Company	Brief prepared	Work due to commence in September 2018
Grants to Cultural Organisations (including Jersey Opera House)	Planned	
Using Enforcement Powers	Planned	
Handling and Learning from Complaints	Planned	
Oversight of remuneration within States Owned Companies and ALOs	Planned	
Non-Ministerial Departments	Planned	
Anti-Corruption Arrangements	Planned	
Long Term Care Fund	Planned	
Insurance	Planned	

Areas for review	Status	Comment
Follow up of previous audit recommendations		
The States as Shareholder	Fieldwork complete	To be revisited in late 2018
Community and Social Services for Adults	Brief prepared	Work due to commence in September 2018
Financial Management	Planned	Watching brief initially
Use of Management Information in Education	Planned	
Progress on Implementation of Recommendations on Recurring Themes	Planned	



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