

Thursday 14 March 2019

Slow progress in strengthening the role of the States as a Shareholder

Comptroller and Auditor General issues latest report

Comptroller and Auditor General (C&AG), Karen McConnell, has today (14 March 2019) published a follow-up report on the States as a Shareholder (published in July 2014).

The States control seven companies. These have a substantial financial impact for the States and economic impact for the Island.

Four of these companies are Strategic Investments (Jersey Electricity plc, Jersey New Waterworks Company Limited, Jersey Telecom Group Limited and Jersey Post International Limited) with a total valuation of £374 million at 31 December 2017. The remaining three companies (States of Jersey Development Company, Andium Homes Limited and Ports of Jersey Limited) are consolidated in the States' accounts with net assets of £1,270 million at 31 December 2017.

Each company has its own management with responsibility for effective stewardship but the States have a vital role as owner to ensure that their interests are being protected and advanced.

In 2014 the C&AG undertook a review of the Shareholding in the JT Group Limited (Jersey Telecom) and made wide-ranging recommendations which were broadly applicable to all States controlled companies. These ranged from identifying the reasons for ownership to improving public accountability for performance.

During 2018 the C&AG followed-up progress made by the States in implementing her recommendations focussing on the States' oversight, in particular of Jersey Telecom and Ports of Jersey, to assess progress.

Karen McConnell concluded that progress in implementing her recommendations had been slow. Only recently had real progress begun to be made. Consultants engaged to review the Memoranda of Understanding with the controlled companies, a key document that facilitates effective oversight, reported in early 2019. Structural changes arising from the move to the new Target Operating Model (TOM) that has established a client-side partnership function in the Growth, Housing and Environment Department should help implement the changes recommended. However, it is too early to see the impact of these changes.

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In this report the C&AG recommends that a formal post-implementation review of the effectiveness of the new arrangements for oversight of controlled companies under the TOM is undertaken by the end of 2019.

Karen McConnell said:

“States controlled companies represent a considerable asset for the States and their oversight should be a priority. As I said in 2014, understanding the perhaps varied objectives of ownership is essential to ensure that oversight is effective.

“The reasons for slow progress in implementing recommendations that were accepted by management are less clear but I think two factors are relevant:

- firstly a culture where there was not a strong corporate priority to implement recommendations and monitor and report that implementation. Implementation was seen as the responsibility of States Treasury and Exchequer as the shareholder function. However, States Treasury and Exchequer was not responsible for the development of relevant policies that articulated why companies were owned or the non-financial objectives of ownership; and
- a disparity in the level of expertise of the shareholder function and of the controlled companies. Effective oversight of controlled companies requires significant insight into the operation of companies operating in different sectors. I welcome the strengthening of the shareholder function since my previous report but I consider that bought-in capacity is required to secure the expertise in different sectors to ensure that the shareholder function is fully effective.

“I am pleased that action is now being taken in this important area and look forward to real progress being reported to the Public Accounts Committee by the end of this year.”

The report will be available on the Jersey Audit Office’s website from 0930 on 14 March 2019 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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