



JERSEY AUDIT OFFICE



# Office of the Comptroller and Auditor General

Annual Report and Accounts for the  
year ended 31 December 2018

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# Contents

▶ Introduction by the Chairman of the Board of Governance	03
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## **Section 1: Performance Report** **04**

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▶ Overview	05
▶ Performance Analysis	11
▶ Priorities for 2019	16

## **Section 2: Accountability Report** **17**

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▶ Corporate Governance Report	18
▶ Remuneration and Staff Report	23
▶ Accountability Statement and Audit Report	24

## **Section 3: Annual Accounts** **27**

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▶ Statement of Comprehensive Net Expenditure	28
▶ Statement of Financial Position	29
▶ Statement of Comparison of Budget and Actual Amounts	30
▶ Notes to the Financial Statements	31



# Introduction

## Introduction by the Chairman of the Board of Governance



This Annual Report reviews the second full year since the creation of the Board of Governance. Last year, I explained how the new Board had been busy putting in place appropriate governance arrangements – meeting the highest standards but designed to match the scale and special characteristics of Jersey. This year, I am able to report that the new structure is working well. Moreover, it was strengthened by completing the team – the appointment of Grace Nesbitt, a senior civil servant from Northern Ireland, as our third non-executive member.

The role of the Board is to ensure that the resources provided to the Comptroller and Auditor General (C&AG) are used ‘properly, efficiently and effectively’. We are satisfied that this requirement has been fulfilled. The final section of this annual report contains an accountability report giving more detail about the Board and its work.

We are not responsible for the content of the reports published by the C&AG. Indeed, a key part of our role is to ensure the independence of the office holder in her investigations and reports. But, to assist the Board in discharging its responsibilities, the C&AG updates us regularly on her work programme.

It has been another busy year for the C&AG and her small team. Reports on important public services have been delivered, as this annual report highlights. Some dealt with recurrent topics to ensure satisfactory progress is being made. Others shone a light on specific sectors and bodies, analysing their strengths and weaknesses. All of the work aims to help government and public bodies to improve, so as to give the people of Jersey better services and better value.

The Board seeks to achieve continuous improvement in its own work. We were glad that savings were achieved by changes of office location and staffing, ensuring a better match with the C&AG’s requirements. The 2018 year ended with our looking ahead to achieve the best possible successor to Karen McConnell when her seven-year term ends on 31 December 2019 and then to ensure a smooth transition.

We thank Karen for her work in developing the systems of robust scrutiny, which have given rise this year to the valuable reports listed in ‘Key Outputs’, as well as support given to the Public Accounts Committee of the States Assembly to help it perform its duties. That Committee plays a vital role, including by follow-up on the C&AG’s reports.

Above all, the aim of this small organisation is to help Jersey’s public bodies individually and collectively to improve. By publishing the reports, the whole public sector can be stimulated to learn, adapt and advance. They have only to read, heed and act.

**Peter Price**

Chairman of the Board of Governance

30 April 2019



## Section 1

# Performance Report

The C&AG has chosen to discharge her responsibilities through the Jersey Audit Office ('the JAO'). The Performance Report summarises the work of the C&AG and the JAO in 2018. It comprises:

- an overview, including a statement by the C&AG, highlights of 2018 and a summary of the JAO including its purpose;
- a performance analysis including an assessment of performance against priorities; and
- the C&AG's priorities for 2019.



# Overview

## Section 1: Performance Report

### Statement by the Comptroller and Auditor General



2018 was a year of major change for the States of Jersey. The new Chief Executive took up post and completed his due diligence work. Legislation to reinforce corporate working, including establishing the position of Principal Accountable Officer, was adopted. Implementation of a new Target Operating Model, including establishment of new departments and appointment of senior officers, commenced. Other change initiatives are in progress.

These changes provide an opportunity to break down the silo mentality that I have identified in previous reports to the States Assembly. They also facilitate accelerated implementation of the many agreed recommendations that remain outstanding. I have reported recurring themes from my work to the Public Accounts Committee (PAC). PAC is undertaking a programme of hearings focussing on those themes.

Change brings with it risks to the operation of effective internal control and good governance. That means that an even sharper focus in these areas is necessary.

#### In 2019 I am focussing on:

- following up on the implementation of previous recommendations in key areas such as financial management, where a substantial change programme is in progress;
- key areas of corporate governance and internal control; and
- supporting the PAC in its work, especially its reviews of recurring themes from my previous reports.

2019 will be the final year of my fixed term as C&AG. During my term of office I have worked to ensure that a team and structures are in place to provide resilience in the JAO's operations. In 2018 I started, working with the Board of Governance, to plan for the transition to my successor. I shall continue to do so through 2019.

At the same time I shall continue to promote the effective, accountable management of the JAO so that I can continue to deliver and demonstrate the delivery of high quality, independent public audit on behalf of the people of Jersey.

I look forward to 2019, confident that the JAO is in a strong position to help me through the challenges of my final year as C&AG and to provide the same level of support to my successor.

#### Karen McConnell

Comptroller and Auditor General

30 April 2019





# Overview

## Section 1: Performance Report

### 2018 Highlights



#### Exhibit 1: Key outputs for 2018

##### March 2018

Report on the **Governance of States of Jersey Police**. The report welcomed the establishment of a Police Authority as a valuable enhancement to the governance arrangements for the States of Jersey Police. The report identified that the balance of powers between the Chief of Police, Police Authority and Minister were out of line with those in other jurisdictions. It also identified that further steps were needed to enhance the operational independence of the Chief of Police, including through strengthening the capacity of the Police Authority to perform its functions.

##### May 2018

Annual Accounts of the States published, including the **report by the auditors appointed by the C&AG**. For the first time, the C&AG had engaged the auditors to report not only on the truth and fairness of the accounts but also on whether income and expenditure:

- complied with relevant legislation and directions; and
- was in accordance with the intentions of the States Assembly.

This extended reporting was in line with practice in the United Kingdom and its devolved administrations and enhanced accountability to the States Assembly.

##### June 2018

Report published on the **effectiveness of arrangements for the strategic management of operational land and buildings**.

The report focussed on the more than 500 operational properties most of which are managed by Jersey Property Holdings (JPH) and are valued at over £1 billion. The report concluded that:

- operational land and buildings were not being managed efficiently and effectively across the States; and
- many of the objectives set for JPH when it was established in 2005 had not been achieved.

The report made wide ranging recommendations aimed at ensuring that the States' property management is fit for purpose.

##### September 2018

The C&AG reported that the **Governance Arrangements for Health and Social Care** were inadequate.

The report evaluated the effectiveness of arrangements for the governance of health and social care, reflecting governance structures in place up to May 2018 and how the proposals for changes had been developed. The report concluded that:

- at an overall system level the arrangements were overly complex for a relatively small health and social care system and at the same time poorly defined and communicated; and
- in many respects the Integrated Governance Committee, that had key responsibilities for securing clinical governance, was not fit for purpose.



# Overview

## Section 1: **Performance Report**

### 2018 Highlights



#### Exhibit 1: Key outputs for 2018

##### **September 2018**

The C&AG published her **Annual Report** to the States Assembly. The Annual Report reflected best practice in corporate and public sector reporting. The report:

- highlighted performance in the first full year since the appointment of a Board of Governance; and
- set out the priorities for the JAO until the handover to the new C&AG in December 2019.

##### **November 2018**

The PAC held the first of a series of public hearings with the Chief Executive of the States of Jersey focussing on **Recurring Themes** identified in previous reports issued by the C&AG.

##### **December 2018**

Report published on **Arm's Length Organisations** (ALOs) focussing on **Visit Jersey**. In 2017, the C&AG reported weaknesses in the States' overall arrangements for holding ALOs to account. This report considered the progress made by the States in addressing these weaknesses by focussing on an individual ALO. The report concluded that:

- the States had developed the approach to overseeing ALOs but more needed to be done to ensure changes were properly implemented. There needed to be a sharper focus on funding and monitoring; and
- within Visit Jersey, the arrangements for corporate governance and monitoring performance were generally well developed for an organisation of its size.



## Section 1: Performance Report



### Exhibit 2: Key themes from the work of the JAO in previous years



Source: 2017 annual report

#### In the course of the year, the C&AG or the Deputy C&AG engaged with the States Assembly by:

- attending meetings and hearings of the Public Accounts Committee and providing support for the Committee through:
  - providing induction for new independent members; and
  - working with the Committee to help it develop an effective approach to monitoring the implementation of proposed improvements to governance arrangements.
- providing training for new members of the States Assembly; and
- at the request of Scrutiny Panels and where relevant to work undertaken, providing briefings to assist the Panels in their consideration of the impact of proposed changes.

The 2017 Annual Report highlighted recurring themes from the JAO's work (see Exhibit 2). The new PAC has decided to hold a series of hearings with the

Chief Executive of the States focussing on some of those themes.

#### The C&AG:

- liaised regularly with the Chief Executive, Treasurer of the States and other senior officers. In the course of the year, the C&AG briefed the Directors General on the recurring themes emerging from her work; and
- attended meetings of the States' Audit Committee.

#### In the course of the year, the C&AG also:

- provided evidence to support the Jersey Law Commission's report Designing a Public Services Ombudsman for Jersey;
- contributed to the evidence for the external review on the States' implementation of the United Nations Convention against Corruption; and
- contributed to an e-workshop as part of the National Audit Office's UK Overseas Territories Project.





# Overview

## Section 1: Performance Report

### About the C&AG and the JAO

#### The role of the C&AG

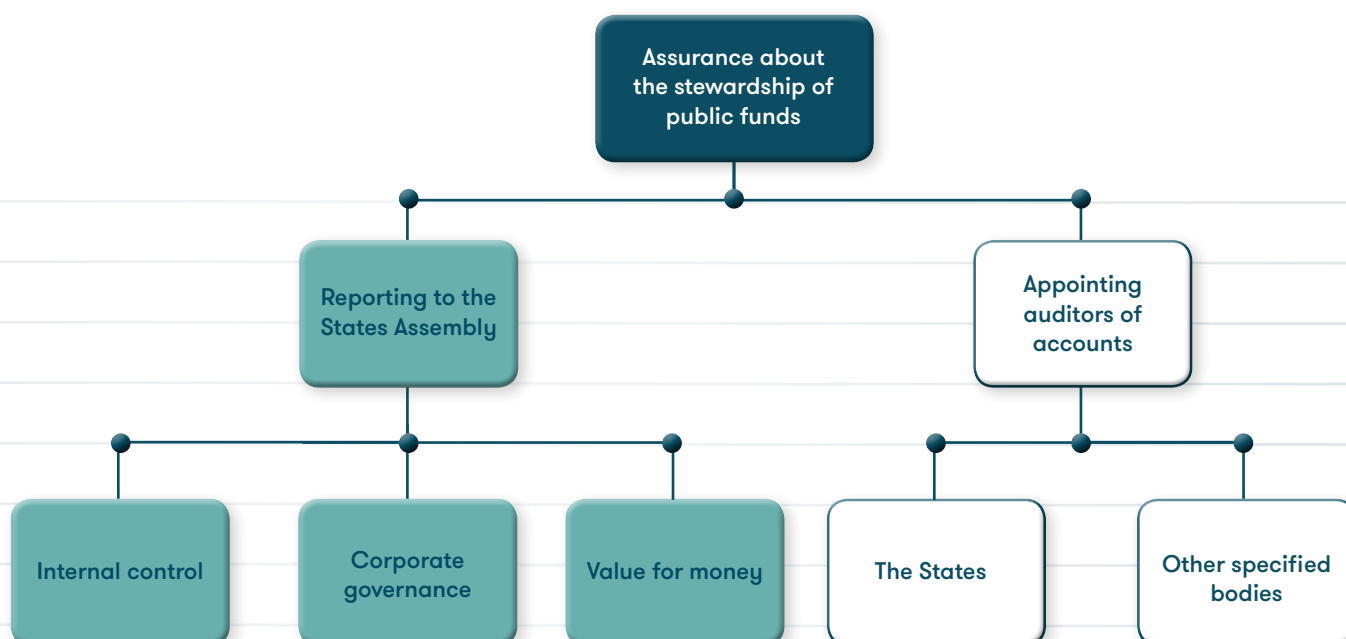
The C&AG is appointed by the States Assembly and is independent of government. Her responsibilities are to:

- report to the States Assembly on the effectiveness of internal control, general corporate governance arrangements and economy, efficiency and effectiveness ('value for money'); and
- appoint 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.

She may not be directed in how she discharges her responsibilities. Her role is to evaluate the implementation of policy, but she does not question policy decisions. The C&AG's responsibilities are summarised in Exhibit 3.



### Exhibit 3: Responsibilities of the Comptroller and Auditor General



As required by statute, the C&AG publishes a Code of Audit Practice, setting out how she discharges her functions.

#### The role of the JAO

The C&AG has chosen to discharge her responsibilities through the JAO which she leads.

The Code of Audit Practice sets out the core values of the JAO (see Exhibit 4).



# Overview

## Section 1: Performance Report



### Exhibit 4: Core values of the JAO

<b>Independence</b>	Auditors should be independent of those they audit and be seen to be. They should not undertake any work that might impair their independence or might reasonably be perceived to do so.
<b>Audit work is undertaken as efficiently as possible</b>	The C&AG and audit firms appointed by the C&AG should discuss the timetable for their work and the information they require. Where appropriate and in accordance with professional standards, they should seek to rely on the work of internal audit where relevant to their responsibilities.
<b>Auditors adopt a constructive and positive approach</b>	Auditors should adopt a constructive and positive approach, supporting and encouraging worthwhile change. In undertaking their work and making recommendations, they should recognise the particular circumstances of the Island.
<b>Audit work recognises both costs and benefits</b>	In planning audit work, auditors should consider the materiality or significance of the sums involved. In making recommendations, they should recognise that there are costs of implementing audit recommendations as well as benefits that arise.
<b>Auditors report in public, accessibly, without fear or favour</b>	As audit is an essential element of public accountability, reporting should be publicly available except where there is a compelling case (such as commercial confidentiality) for it not to be. Audit reports should be accessible and relevant to stakeholders.
<b>Confidentiality and data security are balanced with public accountability</b>	The C&AG and audit firms appointed by the C&AG should comply with statutory and professional requirements relating to the security, holding and disclosure of information received or accessed in the course of their work.

#### JAO resources

In addition to audit firms that are appointed to audit the accounts of the States and certain other specified bodies, the C&AG is supported by a Deputy C&AG and maintains a pool of affiliates with appropriate skills and experience to undertake work on her behalf. The JAO works out of serviced accommodation in St Helier.

#### Key issues and risks

The key issues and risks faced by the C&AG in delivering her objectives relate to:

- managing within available resources;
- maintaining the quality of the JAO's work;
- achieving economy, efficiency and effectiveness in the operation of the JAO;
- ensuring good governance of the JAO, including in a period of transition to a new C&AG; and
- maintaining the reputation of the JAO.

More information on how the C&AG has approached these issues and risks is provided the C&AG's Accountability Report (see page 19 below).



# Performance Analysis

## Section 1: Performance Report

### How the JAO is performing against its priorities

The 2017 Annual Report set out priorities from its publication in September 2018 to December 2019. Exhibit 5 sets out the progress made in delivering these priorities up to 31 December 2018 and the further work planned for 2019.



### Exhibit 5: Priorities for September 2018 to December 2019

Priority	Progress as at December 2018	Further work to December 2019
<b>Reflecting in the JAO's work programme the risks arising from organisational change in the States</b>  <i>The States have embarked on a substantial and rapid change programme to drive significant improvements. There are risks to internal control and corporate governance arising from any major change programme.</i>	<p>Developed a programme of audit work that concentrates on risks arising from change including:</p> <ul style="list-style-type: none"><li>• keeping an overview of arrangements for ensuring that control is maintained;</li><li>• maintaining a watching brief on changes in arrangements for financial management;</li><li>• monitoring the implementation of previous recommendations;</li><li>• supporting the PAC to develop an effective approach to monitoring improvements in governance; and</li><li>• focussing on elements of the States outside the ministerial departments directly affected by the move to the new Target Operating Model.</li></ul>	<p>Programme of work following up on implementation of previous recommendations, including on financial management, Community and Social Services for Adults and Older Adults and the States as Shareholder.</p> <p>Ongoing review and adaptation of the Audit Plan in light of circumstances.</p>
<b>Delivering relevant, insightful work that supports improvement</b>  <i>To secure greatest value, the work of the JAO should not only hold to account and report clearly and impartially but also provide additional insight that supports improvement in public services.</i>	<p>The JAO's values are set out in the Code of Practice. These include the statement that auditors should adopt a constructive and positive approach, supporting and encouraging worthwhile change.</p> <p>Project briefs include a requirement to identify the scope for improvements in arrangements.</p> <p>Pool of highly experienced affiliates widened.</p> <p>Audit work quality assured to ensure that work is insightful and supports improvement.</p> <p>Findings and recommendations discussed with officers before finalising.</p> <p>There has been an increased focus on the States' implementation of agreed recommendations.</p>	<p>Reports focussing on areas not previously subject to review by the JAO, including the work of the States Employment Board and Non Ministerial Departments.</p>



# Performance Analysis

## Section 1: Performance Report

### How the JAO is performing against its priorities



#### Exhibit 5: Priorities for September 2018 to December 2019

Priority	Progress as at December 2018	Further work to December 2019
<b>Demonstrating high standards of governance</b>  <i>The JAO should embrace the high standards of governance that it expects of others. Reflection on those arrangements is particularly important to promote resilience in a period when the JAO is preparing for the appointment of a new C&amp;AG from January 2020.</i>	<p>The Board of Governance reviewed its effectiveness following its first full year of operation.</p> <p>Additional independent member of the Board appointed.</p> <p>Effective governance policies in place.</p> <p>Quarterly publication of expenditure incurred, including the expenses of the C&amp;AG.</p> <p>Annual Assurance Statement on the expenses of the C&amp;AG.</p>	<p>Detailed planning to secure a smooth transition to the incoming C&amp;AG.</p> <p>Earlier timetable for publication of the C&amp;AG's Annual Report and Accounts.</p>
<b>Delivering value for money</b>  <i>The JAO is funded from public funds. It is important to demonstrate that those funds are well used.</i>	<p>The 2017 Annual Report reflected best practice in corporate and public sector financial reporting, including use of comparative information.</p> <p>Good practice procurement processes including:</p> <ul style="list-style-type: none"><li>• IT support contract awarded following competitive tendering exercise;</li><li>• additional affiliate appointed following selection process; and</li><li>• use of States corporate procurement solution for travel and accommodation.</li></ul>	<p>The 2018 Annual Report is also prepared in line with HM Treasury's Financial Reporting Manual and includes updated comparative information.</p> <p>Competitive tendering process started for the provider of the audit of the States' financial statements.</p>



# Performance Analysis

## Section 1: Performance Report

### Auditors appointed by the Comptroller and Auditor General

The C&AG appoints firms of accountants to audit the accounts of the States and certain other specified bodies. Annually, the C&AG seeks, obtains and evaluates feedback from the bodies to which she appoints auditors on their performance and engagement.

In the course of the year, the C&AG met regularly with the firm appointed to audit the accounts of the States to keep abreast of progress and to share information of common interest.

In accordance with contractual terms, the C&AG reviewed and, where appropriate, approved requests to carry out non-audit services made by the audit firms that she had appointed. She only did so where she was satisfied that

performing such work would not give rise to an actual or perceived threat to the independence of the audit firm or to the C&AG.

The States are keen to bring forward the preparation and audit of their annual financial statements. The existing contract was tendered based on completion of the audit in accordance with the statutory timetable. Earlier completion has a substantial impact on the audit approach and the timing and nature of resource inputs. Following discussions with interested parties, the C&AG therefore decided to terminate the existing contract early (at the completion of the 2018 audit) and invite new tenders based on an advanced timetable for preparation and audit of the financial statements.

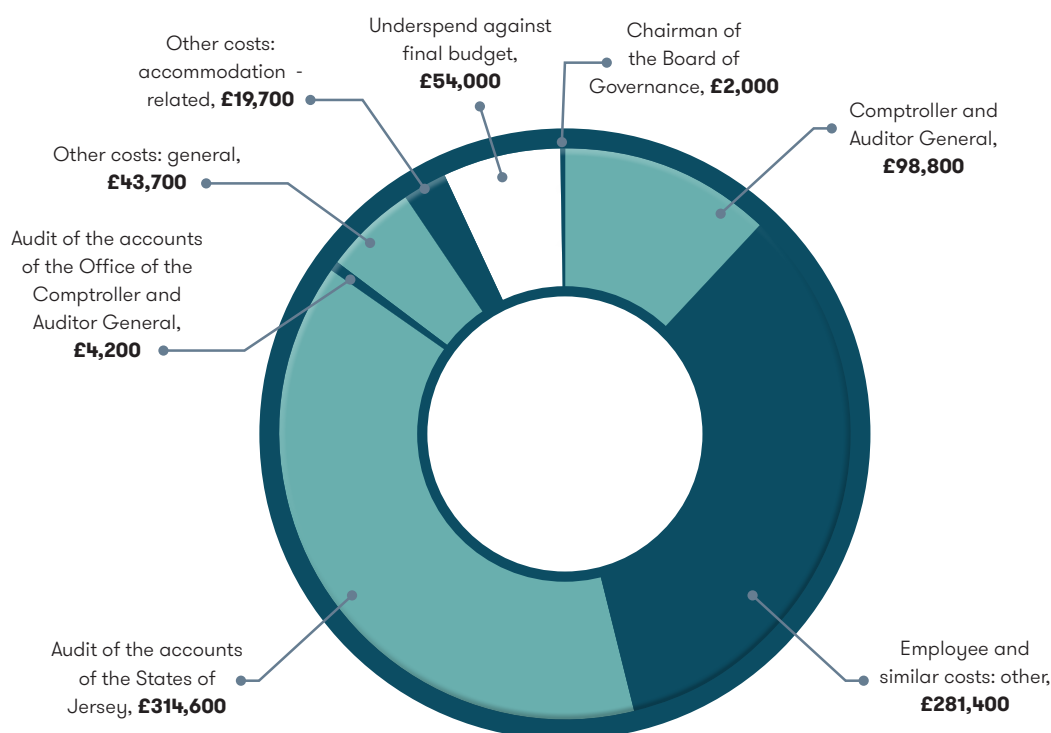
### Financial performance

Resources for the C&AG are allocated through the States' MediumTerm Financial Plan.

The C&AG operated within the allocated budget delivering an underspend of £54,000 in 2018 (see Exhibit 6).



### Exhibit 6: Financial performance 2018



Source: Statement of Comprehensive Net Expenditure (page 28) and Statement of Comparison of Budget and Actual Amounts in the Annual Accounts (page 30)



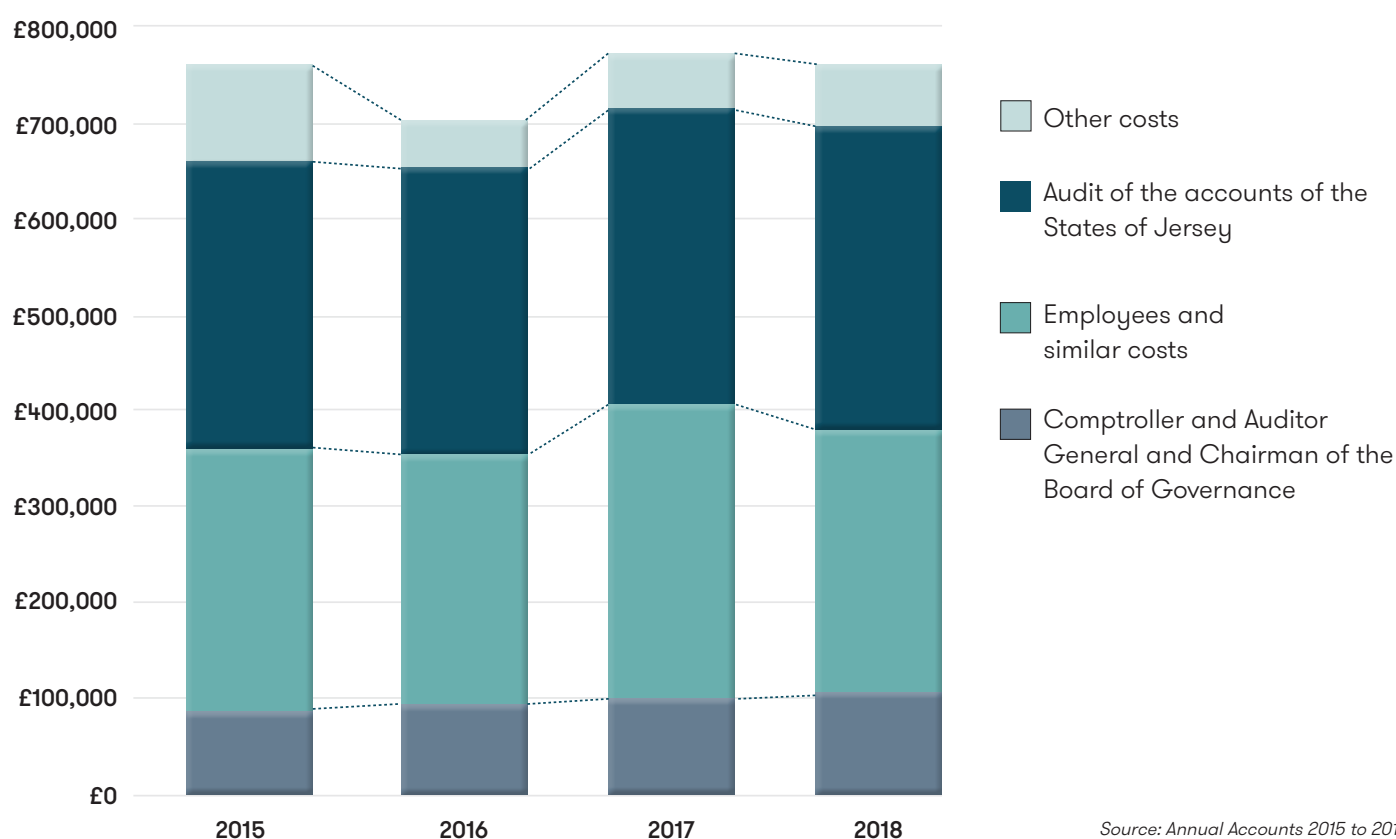
# Performance Analysis

## Section 1: Performance Report

Expenditure has remained broadly consistent between 2015 and 2018 (see Exhibit 7).



### Exhibit 7: Expenditure 2015 to 2018



Further information on the financial performance is provided in the Annual Accounts.

### Comparing performance with other audit offices

In her 2017 Annual Report, the C&AG compared the JAO's performance against a group of seven audit offices from British Overseas Territories, Canadian Provinces, Australian States and Territories and an independent country, with populations ranging from 61,000 to 525,000. This analysis is repeated below (Exhibit 8) and, where more recent information is available, has been updated.

As noted in the 2017 Annual Report, there are inherent problems in making comparisons because of differences in the responsibilities of the audit offices, their business models, prevailing costs in the economy, budgetary arrangements and applicable accounting frameworks. However, the overall message remains that the C&AG provides a significant volume of reports to the States Assembly at comparatively low cost.





# Performance Analysis

## Section 1: Performance Report



### Exhibit 8: Comparison of performance with other audit offices

Indicator	Jersey	Comparator group	
		Average	Range
Expenditure of audit office as a proportion of expenditure of government	0.065%	0.150%	0.046% to 0.317%
Number of reports (other than on financial statements) issued in year	4	4.3	2 to 7
Number of reports (other than on financial statements) per 100,000 population issued in year	3.79	2.73	0.76 to 8.19

Source: JAO analysis

## Environmental impact

During the year, the JAO continued to work to reduce its environmental impact:

- the major environmental impact of the JAO relates to air travel to and from Jersey. The C&AG sought to minimise the use of air travel by effective use of remote working from the UK, including the use of telephone and video conferencing;
- this was the first full year following a move to smaller and more environmentally sustainable accommodation.



# Priorities for 2019

## Section 1: **Performance Report**

### Priorities for 2019



**A key priority is securing a smooth transition to the incoming C&AG at the end of the year.**

In addition, the priorities set out in the 2017 Annual Report remain relevant:



**Reflecting** in the JAO's work programme the risks arising from organisational change in the States.



**Delivering** relevant, insightful work that supports improvement.



**Delivering** value for money.



**Demonstrating** high standards of governance.



## Section 2

# Accountability Report

The Accountability Report provides key accountability information to the States Assembly. It comprises:

- the Corporate Governance Report;
- the Remuneration and Staff Report; and
- the Accountability Statement and Audit Report.



# Corporate Governance Report

## Section 2: **Accountability Report**

### **Comptroller and Auditor General's Report**

I served as C&AG throughout the period and personally directed the activities of the JAO.

The Board of Governance of the Office of the Comptroller and Auditor General comprised Peter Price (Chairman), Professor Russel Griggs (Independent Member), Grace Nesbitt (Independent Member from 6 December 2018) and me (ex officio).

All members of the Board of Governance have

to complete a declaration of interests. No Board members declared significant company directorships or other interests that may have conflicted with their responsibilities. No member of the Board had any other related-party interests.

There were no personal data related incidents during the year reported to the Office of the Information Commissioner.

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### **Statement of Responsibilities of the Comptroller and Auditor General**

Under the Comptroller and Auditor General (Jersey) Law 2014, I am required to prepare annual accounts. The accounts are prepared on an accruals basis.

I confirm that, as far as I am aware, there is no relevant audit information of which the external auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the external auditors are aware of that information.

In preparing these accounts, I have adopted International Public Sector Accounting Standards issued

by the International Public Sector Accounting Standards Board and, in particular, I have:

- observed the relevant accounting and disclosure requirements and applied suitable accounting policies on a consistent basis;
- made judgements and estimates on a reasonable basis; and
- prepared the accounts on a going concern basis.

I confirm that this Annual Report and Accounts as a whole is fair, balanced and understandable.

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### **Governance Statement**

#### **My responsibilities**

I have responsibility for maintaining effective governance and a sound system of internal control that supports the achievement of the JAO's policies, aims and objectives, while safeguarding the public funds and assets.

#### **How I discharged my responsibilities**

Given the small size of the JAO, I perform my functions without a formal management team. In my absence I delegate my responsibilities to the Deputy C&AG.

I secure an effective system of governance and a sound system of internal control including by:

- preparing, communicating and implementing appropriate policies and procedures, in areas such as complaints and data security;
- to the extent appropriate to the circumstances of the JAO, using the corporate financial and other systems of the States of Jersey. For financial systems, a

Service Level Agreement is in place. Using such systems means that the JAO does not maintain its own bank account with the attendant risks;

- monitoring expenditure against budget;
- seeking professional advice from the States where necessary and appropriate, including from the Law Officers' Department and the States' corporate procurement team;
- maintaining a contracts register and a gifts and hospitality register; and
- reviewing the performance of the appointed auditors.

#### **Risk management**

I operate a risk register that captures those risks with the potential to have a significant adverse impact on the operation of the JAO. The risk register is organised around key themes as summarised in Exhibit 9.



# Corporate Governance Report

## Section 2: **Accountability Report**



### **Exhibit 9: Key Risks**

Theme	Key areas and actions in year
<b>Finance</b>	<p>The JAO continues to work with the States to facilitate remote access to financial information relating to the expenditure of the JAO. However, some practical IT issues still need to be resolved and reorganisation within States Treasury and Exchequer may delay progress in the short term.</p> <p>The JAO has continued to operate within the allocations made in the Medium Term Financial Plan. There are additional pressures on the allocated budget for 2019 due to:</p> <ul style="list-style-type: none"><li>• the recruitment costs for the new C&amp;AG;</li><li>• undertaking a procurement exercise at least a year earlier than planned for the external audit of the financial statements of the States of Jersey;</li><li>• the potential additional costs for the C&amp;AG designate shadowing the C&amp;AG; and</li><li>• conclusion of some high profile reviews prior to the end of my term of office as C&amp;AG.</li></ul> <p>The Treasurer of the States has agreed to make available additional funding of up to £100,000, if necessary, to fund these pressures.</p>
<b>Quality</b>	<p>To secure the quality of work undertaken directly, I have:</p> <ul style="list-style-type: none"><li>• widened the pool of affiliates with appropriate skills and experience to undertake work on my behalf; and</li><li>• applied rigorous quality assurance to all work.</li></ul> <p>I sought and evaluated feedback on the performance of auditors that I appointed to audit the accounts of the States and certain other specified bodies. The States have decided to seek to bring forward the preparation of their annual financial statements and requested that the audit process was also advanced. Draft 2018 financial statements were available on 1 March 2019 and the external audit was completed on 18 April 2019. The States are keen to advance the timetable further for subsequent years. Given that the existing contract reflected completion of the audit by 31 May, I decided to bring the existing contract to an end after completion of the 2018 audit. A procurement process for the appointment of auditors for 2019 and subsequent years is currently in progress.</p>
<b>Economy, efficiency and effectiveness</b>	<p>This is the first full year that the JAO has worked out of serviced accommodation in St Helier which has reduced ongoing costs and improved the effectiveness of the JAO's operations.</p> <p>As noted above, I have started a competitive tendering process for the appointment of auditors of the States' financial statements.</p>



# Corporate Governance Report

## Section 2: **Accountability Report**



### **Exhibit 9: Key Risks**

#### **Theme**

#### **Key areas and actions in year**

##### **Governance**

There are risks to the continuity of the work of the JAO arising from the end of my fixed term, non-renewable appointment on 31 December 2019. A recruitment process is in progress to allow appointment of my successor in good time. I and the Board of Governance have focussed on the steps necessary to secure a smooth transition.

The Board of Governance has undertaken a full programme of work to discharge its statutory responsibilities.

##### **Reputation**

I recognised the risk that, during a period of change for the States, my work might lack impact or be seen as not relevant.

I have structured arrangements for the compilation of my Audit Plan including consultation with key officers and the Public Accounts Committee.

I have ongoing liaison with members of the States Assembly, PAC, the Chief Executive of the States, the Transition Team, senior States officers and the Audit Committee.

#### **Personal data related incidents**

There were no protected personal data related incidents reportable to the Office of the Information Commissioner in 2018 for my Office. Neither were there any other personal data related incidents.

#### **The Board of Governance**

The Board of Governance, established under the Comptroller and Auditor General (Board of Governance) (Jersey) Order 2015, is responsible for keeping under review whether the resources provided to me by the States Assembly have been and are being used properly, efficiently and effectively.

The Order provides for the membership of the Board to comprise 2 or 3 independent members appointed by the States, plus the C&AG, with a quorum of the C&AG and at least 2 independent members. In 2016, the States appointed a Chairman and one other independent member to the Board. In 2018, the Board formed the view that it would be beneficial if a third independent member was appointed to:

- reduce the risk of the Board being unable to operate as a result of being inquorate; and
- increase the breadth of skills and experience on the Board.

Following a recruitment process undertaken in accordance with Jersey Appointments Commission guidance, in December 2018 the States Assembly appointed Grace Nesbitt as an independent member of the Board of Governance.

The membership of the Board is detailed in Exhibit 10.





# Corporate Governance Report

## Section 2: **Accountability Report**



### **Exhibit 10: Membership of the Board of Governance**



#### **Peter Price, Chairman**

Peter Price has had an extensive career in law, politics, and wider public service, including 15 years as a member of the European Parliament, where he served as Chair of the Budgetary Control Committee.

Previous appointments include as a Non-Executive Director of the Wales Audit Office, a Non-Executive Director of the Welsh Ambulance Services NHS Trust and a Governor of Thames Valley University.



#### **Professor Russel Griggs OBE, Independent Member**

Russel Griggs is an experienced business professional and has worked in a number of large private businesses as well as in large organisations and projects in the public sector.

He has held a wide range of executive and non-executive roles in private, public, and charitable institutions, including the Lending Standards Board, Scottish Mines Restoration Trust, Marie Curie Cancer Trust and the Audit Committee of the Department of Employment and Learning in Northern Ireland. He is a former Board member of Audit Scotland and served as Chair of its Remuneration Committee.



#### **Grace Nesbitt OBE, Independent Member**

Grace Nesbitt is a senior human resources professional in the Northern Ireland Civil Service. Grace is currently responsible for Public Service and Civil Service Pensions with 100 staff and a budget of £300 million.

Grace is also an independent member of two public sector audit committees and a Director of a Social Enterprise Company which provides training and work opportunities for disadvantaged adults.



#### **Karen McConnell, Comptroller and Auditor General**

Karen McConnell was appointed by the States Assembly in 2013 and in 2014 her appointment was extended to 2019. Prior to taking up post, Karen held a variety of senior positions at the UK Audit Commission, including leading the Audit Practice and its 900 staff through the transition of outsourcing the Commission's work to the private sector during 2011 and 2012. Being directly accountable to the Chief Executive and the Board for the performance of the Audit Practice, during that time Karen also delivered a budget of £106 million income and £60 million expenditure and oversaw a complex work programme at 232 health bodies and 429 principal local government bodies (including police, fire and probation).

Karen is a Non Executive Director of East and North Hertfordshire NHS Trust and chairs its Finance and Performance Committee.



# Corporate Governance Report

## Section 2: **Accountability Report**

### **The board is responsible for:**

- scrutinising the use of resources by and the governance arrangements of the C&AG;
- reporting any concerns to the Chief Minister and the Chairman of the Public Accounts Committee;
- if requested by the Chairman of the Public Accounts Committee, advising on the appointment of auditors of the accounts of the C&AG;
- reviewing any estimates submitted by the C&AG to the Chairman of the Public Accounts Committee for the purposes of the Medium Term Financial Plan or the budget;
- reviewing the audited accounts of the C&AG; and
- if requested by the C&AG, advising on the appointment, remuneration and terms and conditions of the Deputy C&AG.

The Board also has a power to prepare an assurance report on the expenses of the C&AG.

### **How the Board of Governance discharged its responsibilities**

The Board met three times in the course of 2018. All members of the Board attended all those meetings. The Board focussed in particular on the arrangements for securing a smooth transition to the incoming C&AG when my term of office comes to an end.

The Board also:

- reviewed the risk register prepared for the JAO;
- monitored the financial performance of the JAO, including the expenses incurred by the C&AG;
- reviewed the gifts and hospitality register maintained for the JAO;
- received and reviewed the report from the external auditors appointed by the Chairman of the PAC on the 2017 accounts; and
- published an assurance statement on my 2017 expenses. During 2019, the Board has prepared an assurance statement for my 2018 expenses and this is included within this Accountability Report.

The Board did not report any matter to the Chief Minister and Chairman of the Public Accounts Committee.

During 2018, the Board reviewed its own effectiveness and agreed that:

- no changes were required to its Standing Orders, Code of Conduct and Relationship Code; and
- no significant changes to its way of working were necessary.

### **Quality of data used**

Both the Board of Governance and I rely on financial information drawn from the States of Jersey's financial systems that are subject to review and scrutiny by the Deputy C&AG and an affiliate working for me. Both the Board of Governance and I are satisfied that such financial information is acceptable for the purposes for which it is used.

### **Review of effectiveness**

I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by my own work, the work of those working for me, the work of the Board of Governance and information received from the States. Based on that review I am satisfied with the arrangements in place for governance, risk and internal control.

### **Significant internal control weaknesses**

I am able to report that there were no significant weaknesses in the JAO's system of internal controls in 2018 that affected the achievement of the JAO's key policies, aims and objectives.

### **Karen McConnell**

Comptroller and Auditor General

30 April 2019



# Remuneration and Staff Report

## Section 2: **Accountability Report**

The JAO relies on the services of eight independent contractors, including the C&AG, the Deputy C&AG and an additional contractor appointed in September 2018.

Expenditure on these independent contractors is reported in the Annual Accounts and expenditure on the C&AG and on the Deputy C&AG is identified separately. The remuneration of independent contractors comprises only fees and they do not receive any bonuses, non-cash benefits or pension benefits.

The C&AG is remunerated at a daily rate under the terms of a contract entered into on behalf of the Chief Minister and the Chairman of the PAC.

The remuneration of the Chairman of the Board of Governance is reported in the Annual Accounts. His remuneration is determined by the States Assembly.

The JAO has had no States employees assigned to it since October 2017.

No payments in compensation for loss of office were made in the year.



# Accountability Statement and Audit Report

## Section 2: **Accountability Report**

### Report of the Board of Governance of the Office of the Comptroller and Auditor General to the States Assembly on the expenses of the Comptroller and Auditor General.

Article 5(7) of the Comptroller and Auditor General (Board of Governance) Jersey Order 2015 provides that the Board may prepare an assurance report upon the annual expenses of the Comptroller and Auditor General.

#### **Scope of our work**

We have through the course of 2018 and in preparing this statement:

- received an analysis of the expenses incurred by and on behalf of the Comptroller and Auditor General for travel and subsistence for the year ended 31 December 2018;
- assessed the reasonableness of those expenses in light of the role of the Comptroller and Auditor General;
- sought explanations for any unusual items; and
- evaluated the reasonableness of such explanations.

#### **Statement**

No matters have arisen from our work that we wish to draw to the attention of the States Assembly.

#### **Peter Price**

Chairman

For and on behalf of the Board of Governance of the Office of the Comptroller and Auditor General

30 April 2019



# Accountability Statement and Audit Report

## Section 2: **Accountability Report**

### **Independent Auditor's Report to the Comptroller and Auditor General**

#### **Opinion**

We have audited the financial statements of the Office of the Comptroller and Auditor General (the 'Office of the C&AG') for the year ended 31 December 2018 which comprise the Statement of comprehensive net expenditure, Statement of financial position, Statement of comparison of budget and actual amounts and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Public Sector Accounting Standards (IPSAS).

In our opinion, the financial statements:

- give a true and fair view of the state of the Office of the C&AG's affairs as at 31 December 2018 and of its total comprehensive net expenditure for the year then ended;
- are in accordance with International Public Sector Accounting Standards; and
- are in accordance with the requirements of the Comptroller and Auditor General (Jersey) Law 2014.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Office of the C&AG in accordance with the ethical requirements that are relevant to our audit of the financial statements in Jersey, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Who we are reporting to**

This report is made solely to the Comptroller and Auditor General, in accordance with Article 19 of the Comptroller and Auditor General (Jersey) Law 2014. Our audit work has been undertaken so that we might state to the Comptroller and Auditor General those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Comptroller and Auditor General, for our audit work, for this report, or for the opinions we have formed.

#### **Other information**

The Comptroller and Auditor General is responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



# Accountability Statement and Audit Report

## Section 2: **Accountability Report**

### **Responsibilities of the Comptroller and Auditor General for the financial statements**

As explained more fully in the Statement of Responsibilities of the Comptroller and Auditor General set out on page 19, the Comptroller and Auditor General is responsible for the preparation of the financial statements in accordance with the Comptroller and Auditor General (Jersey) Law 2014.

In preparing the financial statements, the Comptroller and Auditor General is responsible for applying the going concern principle, applying appropriate accounting policies in a consistent manner and making reasonable and prudent judgements and estimates.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high

level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Grant Thornton Limited**

Chartered Accountants

St Helier, Jersey, Channel Islands

30 April 2019





## Section 3

# Annual Accounts

Office of the Comptroller and Auditor General:  
Annual Accounts for the year ended 31 December 2018



# Annual Accounts

## Section 3: Annual Accounts

### Statement of comprehensive net expenditure

For the year ended 31 December 2018

	Notes	2018	2017
Expenses		£	£
Employee and similar costs: Chairman of the Board of Governance		2,000	2,000
Employee and similar costs: Comptroller and Auditor General		98,800	94,000
Employee and similar costs: other	4	281,400	311,100
Other costs: audit of the accounts of the States of Jersey	5	314,600	307,200
Other costs: audit of the accounts of the Office of the Comptroller and Auditor General		4,200	4,100
Other costs: general	6	43,700	30,700
Other costs: accommodation-related	7	19,700	20,900
<b>Total comprehensive net expenditure</b>		<b>764,400</b>	<b>770,000</b>



# Annual Accounts

## Section 3: Annual Accounts

### Statement of financial position

For the year ended 31 December 2018

	Notes	2018	2017
<b>Assets</b>			
<b>Current assets</b>		<b>£</b>	<b>£</b>
Trade receivables from exchange transactions	8	6,000	5,000
Receivables from non-exchange transactions: States of Jersey Consolidated Fund		399,100	436,900
<b>Total assets</b>		<b>405,100</b>	<b>441,900</b>
<b>Liabilities</b>			
<b>Current liabilities</b>		<b>£</b>	<b>£</b>
Trade payables from exchange transactions	9	385,300	397,400
Provisions	10	8,800	20,700
<b>Total current liabilities</b>		<b>394,100</b>	<b>418,100</b>
<b>Non-current liabilities</b>		<b>£</b>	<b>£</b>
Provisions	10	11,000	23,800
<b>Total non-current liabilities</b>		<b>11,000</b>	<b>23,800</b>
<b>Total liabilities</b>		<b>405,100</b>	<b>441,900</b>
<b>Net asset</b>		<b>0</b>	<b>0</b>



# Annual Accounts

## Section 3: **Annual Accounts**

### Statement of comparison of budget and actual amounts

For the year ended 31 December 2018

	Notes	2018
<b>Net revenue expenditure</b>		<b>£</b>
Original budget	18	817,400
Adjustments	18	1,000
Final budget	18	818,400
Actual on comparable basis		764,400
Performance difference		54,000



# Annual Accounts

## Section 3: **Annual Accounts**

### Notes to the financial statements

#### 1. General Information

These financial statements were authorised for issue by the Comptroller and Auditor General on 30 April 2019.

The Comptroller and Auditor General is a corporation sole established by the States of Jersey under the Comptroller and Auditor General (Jersey) Law 2014. The financial activities of the Office of the Comptroller and Auditor General are included within the financial statements of the States of Jersey.

The Office of the Comptroller and Auditor General's principal activity is serving as a supreme audit institution for Jersey and is located in Jersey.

The financial statements cover the individual entity as no other entities have been identified for inclusion within the financial statements in accordance with applicable accounting standards.

#### 2. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in pounds sterling which is the functional and reporting currency of the Office of the Comptroller and Auditor General and all values are rounded to the nearest one hundred pounds.

The financial statements are prepared on the basis of historical cost unless otherwise stated. The financial statements are prepared on an accruals basis.

#### 3. Summary of significant accounting policies

##### a) Reporting financial performance

The expenses of the Office of the Comptroller and Auditor General are directly met by the States of Jersey and no cash or equivalent is advanced to the Office of the Comptroller and Auditor General. Therefore:

- these financial statements include a Statement of Comprehensive Net Expenditure as the Office of the Comptroller and Auditor General receives no income;

- the Statement of Financial Position includes Receivables from non-exchange transactions representing the amounts payable by the States of Jersey's Social Security Funds to meet the liabilities of the proportion of the costs of the audit of the financial statements of the States falling on the Social Security Funds;
- the Statement of Financial Position includes Receivables from non-exchange transactions representing the amounts payable by the States of Jersey's Consolidated Fund to meet the liabilities of the Comptroller and Auditor General; and
- no Cash Flow Statement is prepared as there are no cash flows specifically attributable to the Office of the Comptroller and Auditor General.

##### b) Recognition of expenditure

Expenditure in respect of fees for the audit of the annual financial statements of the States of Jersey and the Office of the Comptroller and Auditor General are recognised in the period to which the financial statements relate. Expenditure is stated net of the amount falling on the Social Security Funds as full responsibility for the portion of the cost of the audit of the Social Security Funds rests with the Social Security Funds and the Comptroller and Auditor General is acting as an agent in respect of this amount.

Expenditure in respect of fees for other work undertaken for the Office of Comptroller and Auditor General is recognised in the period in which the service is provided.

Expenditure is reported net of Goods and Services Tax.

##### c) Property, plant and equipment

The Office of the Comptroller and Auditor General's policy is to recognise property, plant and equipment in the financial statements at cost less accumulated depreciation where the cost of an individual item or group of items exceeds £10,000. No such items were held at 31 December 2018 (or 31 December 2017).



# Annual Accounts

## Section 3: **Annual Accounts**

### Notes to the financial statements

#### d) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits of ownership of the leased item to the Office of the Comptroller and Auditor General. Operating lease payments are recognised as an operating expense on a straight-line basis over the lease term.

#### e) Provisions

Provisions are recognised when the Office of the Comptroller and Auditor General has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Office of the Comptroller and Auditor General does not recognise contingent liabilities but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

The Office of the Comptroller and Auditor General does not recognise contingent assets but discloses in the notes to the financial statements details of any possible assets whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Comptroller and Auditor General.

#### f) Employee benefits

The Office of the Comptroller and Auditor General received the services of a member of staff employed by the States of Jersey who was a member of the Public Employees' Contributory Retirement Scheme (PECRS). The costs of that member of staff are included in the Statement of Comprehensive Net Expenditure.

##### *Retirement benefits*

The States of Jersey on behalf of the Office of the Comptroller and Auditor General made a fixed

contribution to PECRS. Although PECRS plans to make specified payments to former employees in retirement, the Office of the Comptroller and Auditor General does not have any legal or constructive obligation to pay further contributions if PECRS does not hold sufficient assets to pay employee benefits relating to employee service in the current or prior periods. The contributions to PECRS are therefore charged in the year in which they become payable.

##### *Short-term employee benefits*

The cost of short-term employee benefits, such as payment for annual leave, is recognised in the period in which the employee provides the related service.

#### g) Related parties

The Comptroller and Auditor General regards a related party as a person or entity with the ability to exercise significant influence over the Office of the Comptroller and Auditor General.

#### h) Changes in accounting policies and estimates

The Comptroller and Auditor General recognises the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

There are no changes in accounting policy compared with the financial statements for the year ended 31 December 2017.

The Office of the Comptroller and Auditor General recognises the effects of changes in accounting estimates prospectively by including them in net expenditure.

#### i) Classification of expenses

The Office of the Comptroller and Auditor General adopts an expenditure classification that is relevant to the circumstances of the Office.





# Annual Accounts

## Section 3: **Annual Accounts**

### Notes to the financial statements

#### j) Budget information

The annual budget for the expenditure of the Office of the Comptroller and Auditor General is prepared on the basis of 'near cash' expenditure as defined in the Jersey Financial Reporting Manual (which is based on European Union-adopted International Financial Reporting Standards). The budget classification used is that adopted by the States of Jersey.

#### k) Significant judgements and sources of estimation uncertainty

The preparation of the financial statements of the Office of the Comptroller and Auditor General in conformity with IPSAS requires management to make judgements, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the disclosure of any contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the accounting policies, the Comptroller and Auditor General has made judgements which have an effect on the amounts recognised in the financial statements. The most significant judgements relate to:

- the accounting policy for the recognition of expenditure on fees for the audit of the States of Jersey disclosed in Note 3 b) above;
- the accounting policy for audit fees in respect of the States of Jersey Social Security Funds disclosed in Note 3 b) above; and
- the accounting policy for retirement benefits disclosed in Note 3 f) above.

The Comptroller and Auditor General has identified an assumption concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material

adjustment to the carrying amounts of assets and liabilities within the next financial year, as described below. The Comptroller and Auditor General based her assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to circumstances arising beyond the control of the Comptroller and Auditor General. Such changes are reflected in the assumptions when they occur.

Restructuring provisions were raised and reviewed and the Comptroller and Auditor General determined an estimate based on the information available. Additional disclosure of the estimate of the provisions is included in Note 10. The provisions are measured at the Comptroller and Auditor General's best estimate of the expenditure required to settle the obligations at the reporting date.

#### l) New IPSAS

The Comptroller and Auditor General has adopted IPSAS 39 Employee Benefits for the first time in these financial statements. Its adoption has no impact on the reported financial position or performance of the Office.

The Comptroller and Auditor General has determined that:

- IPSAS 40 Public Sector Combinations for which first time adoption is required for financial periods beginning on or after 1 January 2019 but early adoption is permitted is not relevant to these financial statements; and
- IPSAS 41 Financial Instruments for which first time adoption is required for financial periods beginning on or after 1 January 2022 but early adoption is permitted will have no impact on the reporting financial position or performance of the Office.



# Annual Accounts

## Section 3: **Annual Accounts**

### Notes to the financial statements

#### 4. Employee and similar costs: other

	2018	2017
	£	£
Deputy Comptroller and Auditor General	86,500	87,300
Affiliates	117,600	75,300
States employee and communication & administrative support	77,300	148,500
<b>Total</b>	<b>281,400</b>	<b>311,100</b>

The staff costs for the States employee includes an employer contribution of £(400) (2017: £10,900) to the Public Employees' Contributory Retirement Scheme.

#### 5. Other costs: audit of accounts of the States of Jersey

This expenditure is stated net of a charge to the States of Jersey's Social Security Funds of £61,400 (2017: £60,000).



# Annual Accounts

## Section 3: Annual Accounts

### Notes to the financial statements

#### 6. Other costs: general

	2018	2017
	£	£
Non-audit services provided by the auditors of the States of Jersey	7,400	2,900
ICT support	6,600	4,300
Communications	2,100	2,400
Travel and accommodation: Chairman of the Board of Governance	700	600
Travel and accommodation: Comptroller and Auditor General	8,100	6,900
Travel and accommodation: Deputy Comptroller and Auditor General	3,400	4,600
Travel and accommodation: other	14,900	7,700
Administration	500	1,300
<b>Total</b>	<b>43,700</b>	<b>30,700</b>

#### 7. Other costs: accommodation-related

	2018	2017
	£	£
Premises and maintenance	18,900	20,000
Printing and stationery	800	900
<b>Total</b>	<b>19,700</b>	<b>20,900</b>



# Annual Accounts

## Section 3: **Annual Accounts**

### Notes to the financial statements

#### 8. Trade receivables from exchange transactions

	2018	2017
	£	£
Prepayments	6,000	5,000
<b>Total</b>	<b>6,000</b>	<b>5,000</b>

#### 9. Trade payables from exchange transactions

	2018	2017
	£	£
Trade payables	500	90,600
Accruals	384,800	306,800
<b>Total</b>	<b>385,300</b>	<b>397,400</b>



# Annual Accounts

## Section 3: Annual Accounts

### Notes to the financial statements

#### 10. Provisions

	Current provision	Non-current provision	Total provisions
	£	£	£
Balance at 1 January 2018	20,700	23,800	44,500
Reversal of provision	-	(4,000)	(4,000)
Provision utilised	(20,700)	-	(20,700)
Transfer from non-current to current provision	8,800	(8,800)	-
<b>Balance at 31 December 2018</b>	<b>8,800</b>	<b>11,000</b>	<b>19,800</b>

The provisions relate to a restructuring of the operations of the Office undertaken in 2017 and was calculated on the basis of the Comptroller and Auditor General's assessment of the most likely amount and timing of payments necessary to discharge contractual obligations. Uncertainty is related to the actual amounts and timing of sums necessary to discharge those contractual obligations.

#### 11. Financial instruments – financial risk management

The fair value of receivables from exchange transactions is equal to their carrying value due to the short-term maturities of these instruments.

As the Office of the Comptroller and Auditor General has no assets arising from exchange transactions, the Office of the Comptroller and Auditor General is not exposed to any credit risk.

As the States of Jersey meet the liabilities of the Office of the Comptroller and Auditor General, the Office of the Comptroller and Auditor General is not exposed to any liquidity risk.

As the Office of the Comptroller and Auditor General does not enter into any contracts for supply of goods or services not denominated in sterling, the Office of the Comptroller and Auditor General is not exposed to any currency risk.

As the Office of the Comptroller and Auditor General does not have any interest-bearing assets or liabilities, the Office of the Comptroller and Auditor General is not exposed to any market risk.

#### 12. Related party disclosures

##### *Terms and conditions of transactions with related parties*

Karen McConnell is engaged as Comptroller and Auditor General and Stephen Warren is engaged as Deputy Comptroller and Auditor General on a self-employed basis. Purchases from Karen McConnell and Stephen Warren are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year end are unsecured, interest-free and settled in cash. There have been no guarantees provided or received from any related party payable.



# Annual Accounts

## Section 3: **Annual Accounts**

### Notes to the financial statements

#### *Key management personnel*

The key management personnel, as defined by IPSAS 20 Related Party Disclosures, comprise Karen McConnell, as Comptroller and Auditor General, a corporation sole established by Article 2 of the Comptroller and Auditor General (Jersey) Law 2014 and Stephen Warren, Deputy Comptroller and Auditor General, who is empowered under Article 16 of the Comptroller and Auditor General (Jersey) Law 2014 to discharge the functions of Comptroller and Auditor General in Karen McConnell's absence. Karen McConnell and Stephen Warren are engaged on a self-employed basis and total expenditure on their engagement is reported in the Statement of Comprehensive Net Expenditure.

#### *States of Jersey*

Article 9 of the Comptroller and Auditor General (Jersey) Law 2014 places a duty on the States to ensure that the Comptroller and Auditor General is provided with sufficient resources to perform her functions. Article 50 of the Public Finances (Jersey) Law 2005 placed a duty on the Chief Minister to ensure that the Comptroller and Auditor General is provided with sufficient resources to perform her functions.

The duty to ensure that sufficient resources are provided is discharged by the States meeting the costs of Office of the Comptroller and Auditor General.

#### *States of Jersey Social Security Funds*

The Social Security Fund, Social Security (Reserve) Fund, Health Insurance Fund and Long-Term Care Fund established by the States of Jersey meet the portion of the cost of the audit of the States' accounts relating to those Funds.

### **13. Operating lease payments**

Future minimum lease payments under an operating lease relate to office accommodation and associated equipment and amount to £53,000 (2017: £78,400), £18,800 (2017: £20,400) of which is payable within one year, with the remaining £34,200 (2017: £58,000) being payable between 2 to 5 years inclusive.

Lease payments recognised as an expense during the period amounted to £20,700 (2017: £19,200).

### **14. Contingent liabilities**

At the end of the financial year the Office of the Comptroller and Auditor General had no contingent liabilities (31 December 2017: nil).

### **15. Segment information**

For management purposes the Office of the Comptroller and Auditor General is treated as comprising only two business units - one covering the governance of the Office of the Comptroller and Auditor General and one covering all other expenditure.

Expenditure attributable to the governance business unit comprises:

- the remuneration and expenses of the independent members of the Board of Governance established under the Comptroller and Auditor General (Board of Governance) (Jersey) Order 2015;
- a proportion of the remuneration of the Comptroller and Auditor General reflecting the time spent preparing for and attending meetings of the Board;
- a proportion of the remuneration of the Deputy Comptroller and Auditor General reflecting the time spent in his capacity as Secretary of the Board;
- the fee for the audit of the accounts of the Office of the Comptroller and Auditor General; and
- other costs directly related to the work of the Board.

The Office of the Comptroller and Auditor General operates in only one geographic location and therefore no segments are monitored geographically.



# Annual Accounts

## Section 3: Annual Accounts

### Notes to the financial statements

#### Reportable segments 2018

	General operations	Governance	Total
Segment expenses	£	£	£
Employee and similar costs: Chairman of the Board of Governance	-	2,000	2,000
Employee and similar costs: Comptroller and Auditor General	96,100	2,700	98,800
Employee and similar costs: other	272,800	8,600	281,400
Other costs: audit of the accounts of the States of Jersey	314,600	-	314,600
Other costs: audit of the accounts of the Office of the Comptroller and Auditor General	-	4,200	4,200
Other costs: general	42,300	1,400	43,700
Other costs: accommodation-related	19,700	-	19,700
<b>Total comprehensive net expenditure</b>	<b>745,500</b>	<b>18,900</b>	<b>764,400</b>

	General operations	Governance	Total
Other information	£	£	£
Segment assets	400,900	4,200	405,100
Segment liabilities	400,900	4,200	405,100





# Annual Accounts

## Section 3: Annual Accounts

### Notes to the financial statements

#### Reportable segments 2017

	General operations	Governance	Total
Segment expenses	£	£	£
Employee and similar costs: Chairman of the Board of Governance	-	2,000	2,000
Employee and similar costs: Comptroller and Auditor General	91,700	2,300	94,000
Employee and similar costs: other	301,800	9,300	311,100
Other costs: audit of States of Jersey's accounts	307,200	-	307,200
Other costs: audit of the accounts of the Office of the Comptroller and Auditor General	-	4,100	4,100
Other costs: general	28,800	1,900	30,700
Other costs: accommodation-related	20,900	-	20,900
<b>Total comprehensive net expenditure</b>	<b>750,400</b>	<b>19,600</b>	<b>770,000</b>

	General operations	Governance	Total
Other information	£	£	£
Segment assets	437,700	4,200	441,900
Segment liabilities	437,700	4,200	441,900



# Annual Accounts

## Section 3: Annual Accounts

### Notes to the financial statements

#### 16. Events after the reporting period

There are no material non-adjusting events after the reporting date.

#### 17. Reconciliation of performance against budget to Statement of Comprehensive Net Expenditure

There is potential for differences between the financial performance of the Office of the Comptroller and

Auditor General reported in the Annex to the Financial Report and Accounts of the States of Jersey and that reported in these financial statements as a result of:

- use of a different definition of expenditure;
- use of different accounting policies;
- use of different estimation procedures;
- use of a different unit of rounding; and
- adoption of financial statements on different dates.

Performance against budget for the year ended 31 December 2018 can be reconciled as follows:

2018

£

<b>Near cash expenditure for the Office of the Comptroller and Auditor General reported on page 169 of the Financial Report and Accounts of the States of Jersey</b>	<b>779,000</b>
Less: Reduction to opening restructuring provision reflected in the Comptroller and Auditor General's 2017 accounts	(9,300)
Less: In year decrease in restructuring provision to reflect improved information	(4,000)
Less: Other adjustments	(400)
Less: Adjustment for different unit of rounding	(900)
<b>Total comprehensive net expenditure</b>	<b>764,400</b>

#### 18. Differences between original budget, final budget and actual

Original budget 2018' represents the sum for the year ended 31 December 2018 included in the Medium Term Financial Plan as Amended, approved by the States Assembly on 1 December 2016.

'Final budget 2018' shows an in-year budget adjustment for the year ended 31 December 2018 notified by the Treasurer of the States to the Comptroller and Auditor General on 19 June 2018. The increase in budget over

that in the Medium Term Financial Plan reflects an uplift in budget to reflect pay awards for 2018.

The budget is prepared on an accruals basis using the States of Jersey budget classification.

Budget and actuals cover the activities of the Office of the Comptroller and Auditor General.

The principal reason for the variance of actual performance against budget is lower than budgeted expenditure on employee and similar costs: other.



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