

Thursday 19 September 2019

## **SIGNIFICANT PROGRESS NOW BEING MADE IN IMPROVING FINANCIAL MANAGEMENT AND INTERNAL CONTROL**

### ***Comptroller and Auditor General issues latest report***

Comptroller and Auditor General (C&AG), Karen McConnell, has today (19 September 2019) published a report on *Financial Management and Internal Control*.

This report follows up and builds upon the series of reports that the C&AG has published on this topic since 2014:

- *Internal Audit* (March 2014) and *Internal Audit Follow-Up* (August 2015);
- *Financial Directions* (August 2014);
- *Financial Management – Part 1* (April 2015);
- *Financial Management – Part 2* (February 2016); and
- *Risk Management* (September 2017).

Officers accepted the recommendations in these reports. The due diligence work undertaken for the current Chief Executive echoed many of the findings and recommendations. Since then an extensive series of finance modernisation initiatives has been set in train. This review assesses the extent to which the detailed work has delivered - and is delivering - the changes that the C&AG recommended in her reports.

Karen McConnell concluded that progress was being made which should in time transform the finance function. She welcomed in particular:

- the steps to challenge a silo culture, including the establishment of the role of Principal Accountable Officer and strengthened consideration of finance issues at Council of Ministers and Executive Management Team;
- the consolidation of the finance function into Treasury and Exchequer, driving a corporate approach and changed ways of working;
- improved links between financial and non-financial reporting in the context of the development of a Corporate Performance Framework;
- the development of clearer accountability lines for financial management;
- initial steps to reflect financial management skills in job descriptions and targets;

- improved arrangements for financial planning culminating in the Public Finances (Jersey) Law 2019 and the preparation of the Government Plan;
- work on the Outline Business Case to support the development of an integrated technology solution, replacing the current main accounting system and facilitating the integration of financial and wider performance reporting;
- the preparation of the Public Finances Manual (PFM) to replace the current Financial Directions. She is pleased that the PFM is a much shorter, more principles based document; and
- an enhanced focus on risk including through a renamed Risk and Audit Committee and appointment of a Director of Risk and Audit.

However, the C&AG concluded that further investment of time and resources is needed both to implement recommendations and to embed new ways of working. In particular, management needs to focus on:

- ensuring that effective financial governance arrangements are put in place for bodies where constitutional independence is essential, building on the experience of oversight of the Independent Jersey Care Inquiry;
- securing the benefits of the new Finance Business Partner model;
- enhanced arrangements for scrutiny of existing expenditure, including commencement of a programme of zero-based budget reviews and advancing the timetable for identification of efficiency savings for the next Government Plan;
- taking stock of the experience of preparing the first Government Plan and learning the lessons for the future;
- taking forward the proposed integrated technology solution to ensure that it is 'right first time'. The cost of retro fixing, should it be necessary, can be significant. Delivering the solution requires significant investment of people and the right resources. It requires effective project management. But it also requires a continuing collective appreciation that this is not just a technology solution but something that facilitates a wider transformation in ways of working;
- structured, regular review of the operation of the PFM to ensure that it drives cultural change where a 'must' is truly seen as mandatory; and

- developing clear plans for delivery of the necessary improvements in risk management and ensuring that sufficient resources are in place to secure delivery. The Risk and Audit Committee has an essential role to play in the delivery of effective risk management but to do so it requires new members to return it to quoracy and those members must collectively have the right skills and experience for the Committee to be authoritative.

**Karen McConnell said:**

“I am pleased to see that real progress has been made in delivering the changes that I recommended. I particularly welcome the strengthening of the core finance function including the addition of specific posts in key areas where there has been historic under-investment such as risk management and financial governance. Although much work remains to be done, I am encouraged by the pace at which recent change has taken place.

To ensure that value for money is attained, the finance modernisation initiatives require integrated planning, management and governance. Resources must be explicitly allocated, budgets established and expenditure against budgets reported. Early progress in these areas needs to be consolidated.

Delivery of finance modernisation requires action beyond Treasury and Exchequer. Firstly, it requires real progress in the development of key strategies that underpin corporate and financial planning, such as the Estates Strategy and the People Strategy. Secondly, it requires strengthened people management which in time will help to reduce the reliance on interim staff and contractors and the associated risks. Thirdly, it requires change and project management to be embedded as core competencies for managers.

Securing the necessary improvements in financial management and internal control requires action across the organisation. However that improvement can only be sustained on the bedrock of good governance.”

The report will be available on the Jersey Audit Office’s website from 0930 on 19 September 2019 at ([www.jerseyauditoffice.je](http://www.jerseyauditoffice.je)).

The report *Financial Management and Internal Control* can be found at:  
<https://www.jerseyauditoffice.je/our-work/2019/>

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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, corporate governance, internal control 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 31 December 2019. Following the introduction of the Comptroller and Auditor General (Jersey) Law 2014 the term of office is now fixed at seven years and is non-renewable
- Formerly of the UK Audit Commission ('the Commission'), Karen held a variety of senior positions, including leading the Audit Practice
- Karen has a full programme of work which she intends to fulfil before the end of her term of office. Arrangements are in place for the appointment of a new C&AG from 1 January 2020 and handover arrangements are being overseen by the Board of Governance of the C&AG
- The Office of Comptroller & Auditor General is known as the 'Jersey Audit Office'
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**Comptroller and Auditor General's Policy regarding issue of reports and contact with the media:**

- Press releases will be published by the Jersey Audit Office to accompany the publication of each report
- Embargo times, where set, will be at 0001 hours on the day of publication - for press releases, reports and all other information pertaining to the publication date
- Other press releases/ statements may be made on an occasional basis and not necessarily dependent upon the publication of a report. They will be subject to the same embargoes where set
- With any report issued, the opportunity is available for members of the press to request factual clarification, by email, of points contained therein



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- Any comments made additional to any reports, will be included within any press release(s) as issued by the Jersey Audit Office, in the form of a quotation by the C&AG. These comments will be available for publication; but there will not be any supplementary live or pre-recorded interviews offered or undertaken by either Karen McConnell or the employees of the Jersey Audit Office
- The C&AG is prepared, on an occasional basis, to provide articles for publication in the local media, following a specific request and consideration of the relevant topic
- All public information, including press releases and reports, are accessible on the Jersey Audit Office website at [www.jerseyauditoffice.je](http://www.jerseyauditoffice.je)

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