Office of the Comptroller and Auditor General

Financial Management and Internal Control

19 September 2019

JERSEY AUDIT OFFICE

Financial Management and Internal Control

Introduction

1.1 Effective financial management and internal control are essential underpinnings for the delivery of economic, efficient and effective public services. Since 2014 I have issued a series of reports relating to financial management and internal control:

- 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).

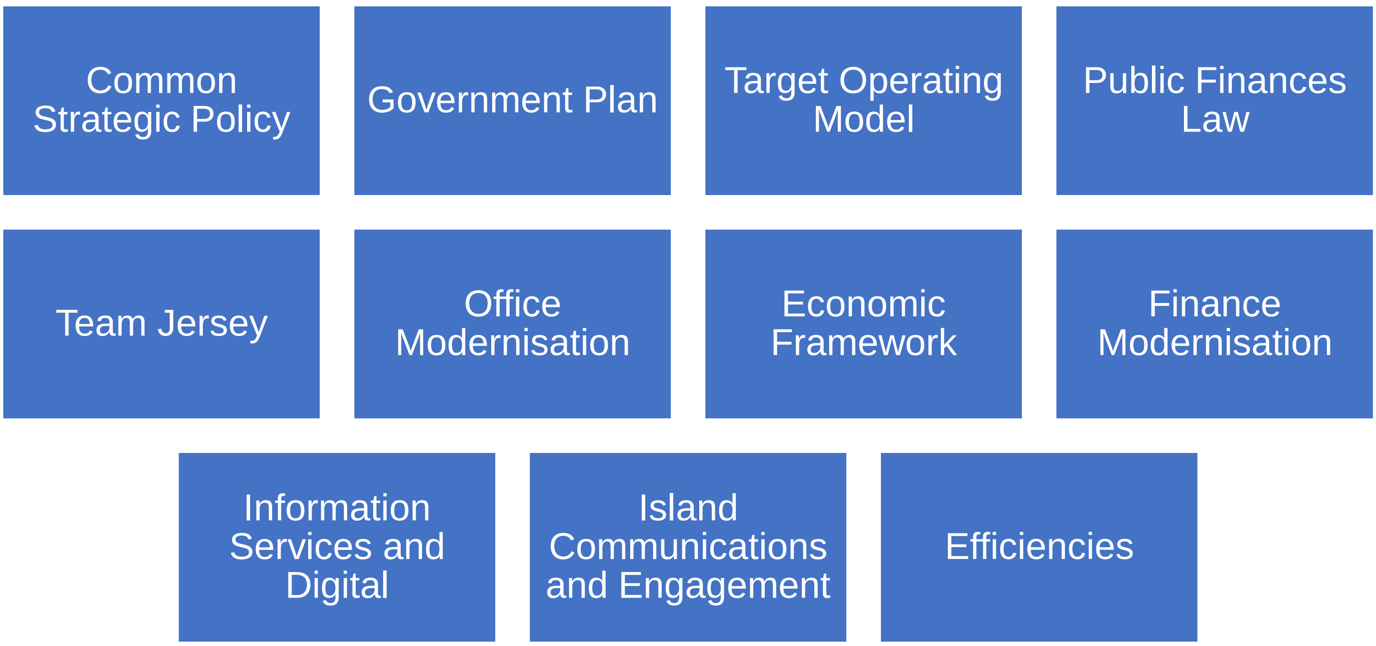
1.2 Officers accepted all the recommendations in these reports and set out specific actions to implement most of them.

1.3 The due diligence work undertaken for the new Chief Executive echoed many of the findings and recommendations of my reports and identified that substantial action was required to implement my recommendations.

1.4 Following the appointment of the new Chief Executive, important legislative changes were implemented that have facilitated a more corporate approach and therefore implementation of some of my recommendations. As a result of the Machinery of Government (Miscellaneous Amendments) (Jersey) Law 2018 the Chief Executive took on the new role of Principal Accountable Officer responsible to the States Assembly for all the income and expenditure incurred by the Government.

1.5 The Government is implementing a wide-ranging One Government (One Gov) transformation initiative designed to modernise the delivery of public services (see Exhibit 1).

Exhibit 1: The One Gov transformation initiative



1.6 The finance modernisation initiatives have been extensive, including:

- a wide-ranging Finance Transformation Programme led by the Group Director – Finance Transformation;
- delivery of fundamental changes in risk management led by a new Director of Risk and Audit who took up post in January 2019;
- development and delivery of the Public Finances (Jersey) Law 2019 and a new Public Finances Manual; and
- 'faster close', bringing forward the timetable for the preparation of the States' Annual Report and Accounts.

1.7 Up to July 2019 external support to the finance modernisation initiatives had cost £2.91 million.

1.8 The Public Accounts Committee (PAC) has reported on recurring themes from its reports and is holding a series of hearings on key areas, including on financial management.

Objectives, scope and approach

1.9 My review was designed to complement the work of the PAC and to provide a basis for my successor to plan their work in this key area.

1.10 The review evaluates:

- the progress made in implementing agreed recommendations in the reports listed above either individually or as part of wider change projects;
- the extent to which the recommendations as implemented have addressed the improvement areas identified; and
- the adequacy of plans for the implementation of any outstanding recommendations.

1.11 In undertaking this review:

- I recognise that there have been significant structural changes and that terms used in my previous reports may no longer be appropriate. In such cases I have retained the wording of my original recommendations but added footnotes to indicate how terms should now be interpreted;
- except where recommendations specifically relate to Non-Ministerial Departments, I have concentrated my evaluation on the impact so far as it relates to Government Departments. I am currently undertaking a review of aspects of the operation of Non-Ministerial Departments, including elements of financial management;
- I have not undertaken a detailed review of wider corporate initiatives referred to in this report, such as the 'One Gov' transformation initiatives; and
- I have not undertaken a detailed review of the Government Plan 2020 - 2023 ('the Government Plan') or the Public Finances Manual that was being drafted at the time that I undertook my review.

1.12 This report is structured around the findings of my earlier reports (see Exhibit 2).

Exhibit 2: Focus of my work

Financial Management	• Financial Management - Part 1 (April 2015) • Financial Management - Part 2 (February 2016)
Financial Directions	• Financial Directions (August 2014)
Risk Management	• Risk Management (September 2017)
Internal Audit	• Internal Audit (March 2014) • Internal Audit: Follow-up (August 2015)

1.13 I also make some overall observations around the management of finance modernisation.

Financial management

2.1 My previous reports evaluated financial management drawing on elements of the Financial Management Maturity Model published by the UK National Audit Office (see Exhibit 3). I concluded that the States needed to undertake a fundamental review of the finance function and, based on the results of this review, adopt and implement a change programme.

Exhibit 3: Elements of the Financial Management Maturity Model

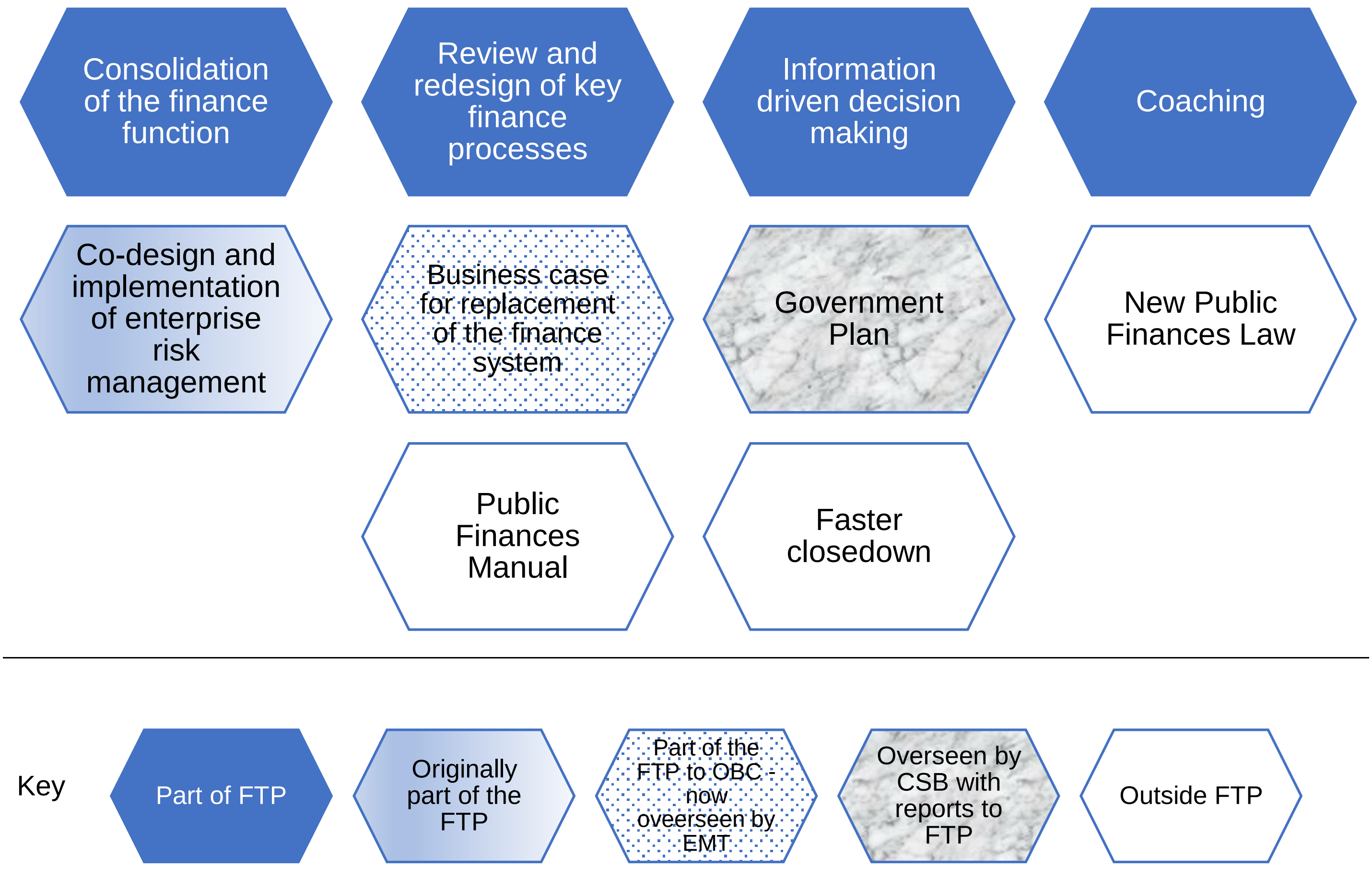
Source: Developed from Financial Management Maturity Model, National Audit Office, 2010

2.2 In response to my recommendations, the Government undertook:

- a Strategic Review of Finance (December 2017); and
- a financial maturity review (March 2018).

2.3 These, and the findings from my reviews, informed the scope and activities of the finance modernisation initiatives overseen by the Treasurer of the States, including those within the Finance Transformation Programme (Exhibit 4).

Exhibit 4: Finance modernisation initiatives, including the Finance Transformation Programme (FTP)



2.4 Key changes have already taken place, including the coming into force of a new Public Finances Law, preparation of a new Public Finances Manual and earlier preparation of the States' Annual Report and Accounts. The key structural change – consolidation of all finance staff into Treasury and Exchequer with a new operating structure – has been implemented.

2.5 However, management have recognised that the scope and nature of the change needed is substantial, will require significant resources and will take many years to implement and embed. The adoption of a consistent, unified way of working and re-engineered processes will facilitate effective planning for the implementation of a new integrated technology system. That in turn has the capacity to drive further improvements in financial management, providing high quality, real time financial information across the States as a whole to inform wider, as well as departmental, decision making.

Financial governance and leadership

2.6 Effective financial management requires clear oversight and leadership from the top of an organisation. I focussed on four different dimensions of financial governance and leadership (see Exhibit 5).

Exhibit 5: Financial governance and leadership: areas of focus

Financial governance and leadership			
Leadership by the 'Board' and 'Executive Team'	Systems of internal control, governance arrangements and risk management	Financial management capabilities	Training and continuous professional development

Leadership by the 'Board' and 'Executive Team'

2.7 Effective financial management requires structured oversight by and leadership from the top of an organisation. In the best performing organisations finance is seen as too important to be left to finance professionals alone. In my previous reports I recognised a strong silo mentality that impeded assumption of collective responsibility for financial matters at political and officer levels.

2.8 I am pleased that there has been real progress (see Exhibit 6). Clear steps have been taken to strengthen consideration of finance matters by both the Council of Ministers and the Executive Management Team and to emphasise the importance of working together on finance. However, cultural change takes time and the changes are yet to be firmly embedded.

Exhibit 6: Leadership by the 'Board' and 'Executive Team': progress in implementing recommendations

Recommendation	Action	Evaluation
R3: Take steps to reinforce a culture of collective responsibility for corporate financial management issues by the Council of Ministers (COM) and Corporate Management Board[1].	A more cross cutting approach has been developed within the Government of Jersey's Corporate Strategy Board (CSB) and Executive Management Team (EMT). The key actions taken to reinforce a culture of corporate financial management have been: • the establishment of the role of Principal Accountable Officer; • EMT discussion on the Government Plan; and • individual briefings to Ministers on their	**Implemented but not embedded**

[1] Now replaced by the Corporate Strategy Board

Recommendation	Action	Evaluation
	specific areas and COM meetings on all areas. There has been a change in emphasis at COM to a more collective approach to the Government Plan. An extensive programme of engagement with COM over seven months included: • holding a workshop with Ministers on making choices; • considering the findings of the Income Forecasting Group; • holding three workshops with Ministers, supported by consultants, on 'Ministerial Groups – Rationalising and Prioritising'; and • holding workshops on individual themes for the Government Plan.	
R4: For Corporate Management Board[2] meetings, include standing items at least quarterly for the discussion of key strategic financial issues.	Revised reporting arrangements have been introduced.	**Implemented**
R5: For Council of Ministers meetings, include regular discussion of strategic financial issues in the context of strategic priorities.	Revised reporting arrangements have been introduced. The Quarter 1 report for 2019 in a new format was presented to the Council of Ministers meeting. Feedback on the contents has been obtained to inform future improvements.	**Implemented**
R6: Routinely include strategic and operational financial issues on all departmental management team agendas.	This is an area that has been developed. The newly appointed Finance Business Partners lead in this area. They have been working with ministerial departments to included strategic and operational areas in their reports.	**Partially implemented** Recent changes and work in progress.

Source: Recommendations from Financial Management - Part 1 (April 2015)

[2] Now replaced by Corporate Strategy Board

Systems of internal control, governance arrangements and risk management

2.9 Effective financial management requires appropriately designed and consistently implemented systems of internal control, governance and risk management. Previously I identified scope for:

- enhancing the provisions of the letters issued to Accounting Officers on their responsibilities for public funds; and
- amendments to accountability arrangements that are necessary in order to secure effective accountability whilst preserving the constitutional independence of bodies where independence from the Government is essential.

2.10 Mixed progress has been made in implementing my recommendations (see Exhibit 7). I am pleased that letters issued to Accountable Officers (posts established replacing Accounting Officers) have been strengthened. However, limited progress has been made in strengthening the accountability arrangements for those bodies where constitutional independence in the exercise of their functions is essential. This is an area that I plan to consider further in my forthcoming report on Non-Ministerial Departments. Furthermore, I am concerned that a legislative change in 2018 had the effect of weakening the operational independence of the Chief of Police, the importance of which I highlighted in my report *Governance of the States of Jersey Police* (March 2018).

Exhibit 7: Systems of internal control, governance arrangements and risk management: progress in implementing recommendations

Recommendation	Action	Evaluation
R7: Revise the Accounting Officer[3] letter explicitly to reflect the duties in Financial Direction 2.2[4].	All Accountable Officers (AOs) have been issued with a letter in 2019 except the Principal Accountable Officer whose role is set out in legislation. The format of the AO letter has been amended to include a section on responsibilities of the AO. The letter includes a link to the Financial Directions and also draws attention to the 'requirements' section of Financial Direction 2.2 Accounting Officers.	**Implemented**
R8: Review the Accounting Officer[5] letter in the context of the equivalent for Accounting Officers in UK central government and make amendments as appropriate.	Officers compared the AO letters to those for UK central government. As a result the AO letters were expanded to include reference to Financial Direction 2.2 Accounting Officers and a link to the Financial Directions. Management anticipate that new AO Letters will be issued when the Public Finances Manual is published.	**Implemented**

[3] Now replaced by Accountable Officers
[4] The Public Finances (Jersey) Law 2019 replaces Financial Directions with the Public Finances Manual
[5] Now replaced by Accountable Officers

Recommendation	Action	Evaluation
R9: Consider the amendments to accountability arrangements that are necessary in order to secure effective accountability whilst preserving constitutional independence of certain bodies.	The draft Public Finances Manual explicitly explains which provisions of the Manual apply to the Jersey Overseas Aid Commission. The Public Finances (Jersey) Law 2019 provides for the Government Plan as lodged for Non-Ministerial Departments to include the budget proposed by the Department (in the case of the States Greffe and C&AG the existing arrangements for budget provision were retained). However, enhanced accountability arrangements have yet to be developed for Non-Ministerial Departments including in relation to any non-recurrent activities similar to the Independent Jersey Care Inquiry. I have also recently identified that the Machinery of Government (Miscellaneous Amendments) (Jersey) Law 2018 made the Chief of Police an Accountable Officer accountable to the Principal Accountable Officer. This arrangement is a potential threat to the operational independence of the Chief of Police.	**Partially implemented** Enhanced accountability arrangements have not been established for all Non-Ministerial Departments.

Source: Recommendations from Financial Management - Part 1 (April 2015)

Financial management capabilities

2.11 Effective financial management depends on people. It requires appropriate financial management skills at all levels of the organisation both within dedicated finance functions and more widely.

2.12 The building of financial management capability has been a key focus of the Finance Transformation Programme (see Exhibit 8). In particular:

- the new structure for the finance function provides an opportunity for a stronger contribution by the finance function at the strategic level and in providing support to non-financial managers; and
- there has been progress in reflecting financial management skills for finance and non-finance staff in job descriptions, competency frameworks, targets and evaluation of performance.

2.13 However:

- more work is required to roll-out consistent objectives for financial management to all staff; and

- embedding a strong performance management culture across the States, including effective objective setting and appraisal for all staff, will take time. As at March 2019 only 30% of staff appraisals were recorded as completed in the States' HR systems. An initiative to emphasise the importance of the performance management of individuals has been 'soft launched' with a view to increased focus in 2020.

Exhibit 8: Financial management capabilities: progress in implementing recommendations

Recommendation	Action	Evaluation
R10: Develop a plan for enhancing the contribution of financial professionals across the organisation, focussing on strategic level input and support for non-financial managers, including moving line management of all finance staff to Treasury and Resources[6].	Finance staff have been consolidated into a new structure within Treasury and Exchequer. This has aided a consistent and unified approach to support for departments. The new structure for Tiers 1 to 4 has been filled and the new structure is being implemented for the remaining tiers. Finance Business Partners report to the Group Director - Performance, Accounting and Reporting. This has enabled a more strategic approach to be taken. Guidance for planning and forecasting has been developed that enables a consistent approach across the States.	**Implemented but not embedded**
R11: Clearly reflect the full range of required financial management skills in the new competency framework and link job evaluation, recruitment, promotion, objectives, identification of training requirements and performance evaluation to those for all staff with financial management responsibilities.	For Tiers 1 and 2 financial management skills are reflected in job descriptions, recruitment and selection process and development plans.	**Partially implemented** Financial management skills are more clearly embedded for Tier 1 than for Tier 2 staff.

[6] Now Treasury and Exchequer

Recommendation	Action	Evaluation
R12: Set standard objectives for financial management applicable to all staff from Chief Executive downwards with financial management responsibilities at each grade within the States.	An Interim Behaviours Framework includes a statement on finance and performance. For non-finance staff, the Chief Executive has set financial management objectives for Directors General. However, it is not clear that financial management objectives have been consistently set for the next tier. For finance staff, financial management objectives have been set for Tiers 1 and 2 but are not standardised.	**Partially implemented** Not yet implemented for all tiers in the organisation.
R13: Prioritise embedding a performance management culture across the States, including objective setting and performance appraisal, as a key component of the reform agenda.	There has been a soft launch of a 'My Goals, My Conversation' approach with the aim of building on this in 2020.	**Partially implemented** The full launch of 'My Goals, My Conversation' is not planned until 2020.

Source: Recommendations from Financial Management - Part 1 (April 2015)

Training and continuous professional development

2.14 Investing in people is an important element in developing an organisational culture to achieve excellence. Training and development on financial management skills is relevant for both finance staff and for non-finance staff with financial management responsibilities.

2.15 There have been improvements in the provision of finance training for both finance and non-finance staff (see Exhibit 9). However, training and skills development take time and the development and delivery of relevant training strategies is not yet complete.

Exhibit 9: Training and continuous professional development: progress in implementing recommendations

Recommendation	Action	Evaluation
R14: Update and implement the training strategy for finance staff to provide needs-based training for finance staff across the States.	Following the introduction of a consolidated finance function, a review of the training strategy is underway. A comprehensive training strategy is currently being developed. Each Director is leading on the training for their particular area. The initial support being provided to all staff has focussed on supporting staff through change and creating resilience.	**Partially implemented** The review of the training strategy is not yet complete**.**

Recommendation	Action	Evaluation
	The Coaching for Finance programme was launched in November 2018 to support staff through change, take on their new roles and establish new ways of working during and beyond transformation. This included well received one-to-one coaching for Tiers 1 to 3 and coaching workshops for the remaining tiers. Plans are being developed for Finance Business Partner training. A Finance Training Strategy is being developed with: • an assessment of skills and training needs for Treasury and Exchequer staff planned; and • a focus on strengthening skills in investment business cases.	
R15: Review and update the training on financial management for non-financial staff to maximise its relevance and effectiveness.	Although the importance of the planned review of financial management training for non-financial managers has been recognised, it has yet to happen. However, there have been specific steps to support budget holders through skills development and by providing them with tools to do their job: • a Public Finances Manual eLearning module has been developed as part of the corporate induction programme; • Public Finances Manual training has been made available for Government officers with financial management responsibilities; and • the self-directed eLearning portal, available to all staff, contains financial modules. In addition, there are plans to roll-out 'financial acumen' training to Directors General and Group Directors.	**Not implemented** The planned review of financial management training for non-financial managers has yet to happen.

Source: Recommendations from Financial Management - Part 1 (April 2015)

Financial planning

2.16 High performing organisations have effective financial planning, integrated with wider strategic and corporate planning, to support the business. My work focussed on three dimensions of financial planning (see Exhibit 10).

Exhibit 10: Financial planning: areas of focus

Financial planning

- Integration with strategic and corporate planning
- Robustness and streamlining of systems
- Coverage to support the business

Integration with strategic and corporate planning

2.17 The most effective financial planning:

- is integrated with strategic and corporate planning at all levels, reflecting both plans on what is to be achieved but also plans on how it is to be achieved;
- reflects short-, medium- and long-term planning horizons; and
- produces timely information to allow budgets and forecasts to be updated.

2.18 I previously reported progress in this area but made wide-ranging recommendations to develop and enhance the integration of financial planning with wider planning processes.

2.19 Substantial progress has been evident in the preparation of the Government Plan (see Exhibit 11). However:

- work on some key elements of wider planning has yet to start or is at a very early stage, limiting the scope for clear integration of financial and non-financial planning. I highlighted the absence of an Estates Strategy in my report on *Operational Land and Buildings* (June 2018) and the absence of a People Strategy in my report on the *Role and Operation of the States Employment Board* (March 2019); and
- there has been insufficient focus on the scrutiny of existing expenditure as opposed to plans for growth. A rolling programme of zero-based budget reviews that I previously recommended has yet to commence.

Exhibit 11: Integration with strategic and corporate planning: progress in implementing recommendations

Recommendation	Action	Evaluation
R16: When presenting the new MTFP[7]: • report back to the States Assembly on progress in implementing recommendations made in the Corporate Services Scrutiny Panel 2012 report; and • outline proposed future action.	The Government of Jersey does not routinely report to the States Assembly on progress. In this instance two recommendations made by the Corporate Services Scrutiny Panel were not addressed. For the remaining recommendations, there was reporting back to the Scrutiny Panel on actions and proposed actions. The Chief of Staff has developed new arrangements for tracking the implementation of my recommendations and those of the Public Accounts Committee and plans to extend the arrangements to Scrutiny Panel recommendations.	**Not implemented** The process for identifying and reporting back on relevant recommendations has not been systematic.
R17: In the future develop the MTFP[8] starting from both: • Strategic Plan priorities[9] (what is to be achieved); and • Reform Agenda principles[10] (how it is to be achieved).	The Government Plan directly relates to the Common Strategic Policy 2018 - 22 that sets out five strategic priorities. The Reform Agenda has been brought to an end. A series of change programmes has been put in place, collectively referred to as 'One Gov'.	**Implemented but not embedded**
R18: In compiling future MTFPs[11], apply the same rigorous scrutiny to existing expenditure as to that given to planned growth.	The Government Plan development process has applied some more rigour to scrutinising existing budgets. However, a greater focus has been applied to scrutinising planned growth.	**Partially implemented** There is insufficient rigour in the scrutiny of existing expenditure.
R19: Over the cycle of the new MTFP[12] undertake a comprehensive programme of zero-based	A comprehensive corporate programme of zero-based budgeting has not been commenced. Zero-based budgeting was included as a principle in both the MTFP	**Not implemented** A comprehensive programme of zero-based budget

[7] Now replaced by the Government Plan
[8] Now replaced by the Government Plan
[9] Now replaced by the Common Strategic Policy
[10] Now replaced by the One Gov Programme
[11] Now replaced by Government Plans
[12] Now replaced by the Government Plan

Recommendation	Action	Evaluation
budget reviews.	and the Government Plan. Management have explained that capacity issues have meant that this has not been possible for the 2020 Government Plan. However, the Government Plan reflects a commitment to undertaking zero-based budget reviews. A series of workshops began in February 2019 with Directors General and budget holders to challenge budgets and analyse trends from previous years.	reviews has not yet been developed.
R20: Fully reflect key corporate planning, including workforce planning and the estates strategy in the next MTFPs[13].	The People Strategy is in development. The steps taken to incorporate workforce planning into the Government Plan have been: • incorporating Target Operating Models into the planning assumptions for the period of the Government Plan; • considering requests for strengthening resources in functions, such as HR and IT, where there has been identified under-investment; • factoring pay protection and allowance for redundancy costs into the Government Plan; and • considering input from the Efficiencies Working Group on future grade mix changes. Officers have advised me that work on the Estates Strategy has recently commenced. Consultation on strategic issues and potential options for the Island Plan is scheduled for 2019 with a further phase of public consultation on a draft detailed	**Partially implemented** Elements of workforce have been included. Work on the Estates Strategy has recently commenced.

[13] Now replaced by Government Plans

Recommendation	Action	Evaluation
	Island Plan scheduled for 2020.	
R21: Before compiling future MTFPs[14] consider the appropriateness of the existing resourcing principles.	Management reviewed the resourcing principles as part of the development of the MTFP 2016-19. Management have undertaken a further review. As a result, the Council of Ministers approved revised resourcing principles and these were included in the Government Plan.	**Implemented**
R22: In future years establish processes to report on compliance with the resourcing principles.	Although revised resourcing principles were included in the Government Plan, no arrangements for monitoring and reporting on compliance had been agreed as at August 2019.	**Not implemented**
R23: Place a greater emphasis on the range of potential outcomes in compiling future MTFPs[15].	Scenarios have been considered with ranges of figures developed. These have been communicated to the Council of Ministers and included in the Government Plan.	**Implemented**
R24: When advised to do so by the Fiscal Policy Panel (FPP), make provision in the MTFP[16] for replenishment of the Stabilisation Fund.	The FPP recommended a £70 million replenishment of the Stabilisation Fund. Allowance was made for this in the updated MTFP. Further transfers to the Stabilisation Fund, reflecting FPP advice, are included in the Government Plan.	**Implemented**

Source: Recommendations from Financial Management - Part 1 (April 2015)

Robustness and streamlining of systems

2.20 Effective systems for financial planning should be robust, incorporating sensitivity analysis and scenario planning involving finance and non-financial managers, but also streamlined.

2.21 Previously I made recommendations that focussed on:

- the constraints of working to a Medium Term Financial Plan that was fixed for a period of time rather than adapting to circumstances;
- the engagement and challenge processes in developing the Medium Term Financial Plan; and
- streamlining the contents of the Medium Term Financial Plan.

2.22 Substantial progress has been made:

[14] Now replaced by Government Plans
[15] Now replaced by Government Plans
[16] Now replaced by the Government Plan

- the Medium Term Financial Plan has been replaced with a Government Plan. This means that:
    - income and expenditure are systematically considered at the same time; and
    - the move from a rigid expenditure plan for four years to a plan that is fixed for one year and indicative for subsequent years enhances adaptability;
- the process for the preparation of the Government Plan has involved more structured and wide-ranging challenge; and
- the Government Plan is more accessible and clearly links expenditure to strategic priorities and desired outcomes (see Exhibit 12).

2.23 I am, however, concerned that identification of efficiencies progressed more slowly. As a result, the Government Plan as lodged included unidentified efficiency savings.

Exhibit 12: Robustness and streamlining of systems: progress in implementing recommendations

Recommendation	Action	Evaluation
R25: Consider amending legislation to provide for a rolling MTFP[17].	The Public Finances (Jersey) Law 2019 includes the requirement for a rolling financial plan and this is reflected in the Government Plan.	**Implemented**
R26: Revise arrangements for future MTFPs[18] to provide more effective challenge of both growth bids and base budgets.	The approach to the development of the Government Plan has significantly improved over previous arrangements: • the Government Plan was reviewed by the One Gov Board (that has the same membership as the EMT) and the Corporate Strategy Board; • there was individual consultation on the Government Plan with members of COM and discussions at COM meetings and workshops; • a series of workshops was held with Directors General, Group Directors and Directors to challenge budgets and growth bids; and • the Efficiency Board reviewed base budgets to identify efficiency savings (although unidentified savings were included in the Government Plan).	**Partially implemented** There has been limited scrutiny of base budgets and efficiency savings were not fully identified at the date that the Government Plan was lodged.

[17] Now replaced by the Government Plan
[18] Now replaced by Government Plans

Recommendation	Action	Evaluation
R27: Consider including a structured element of external challenge to support managers in preparing the MTFP[19].	Some peer challenge has taken place on proposals for inclusion in the Government Plan.	**Partially implemented** Arrangements have not been formalised. Wider cultural change is needed before challenge can be highly effective.
R28: Adopt streamlined contents for future MTFPs[20] informed by a review of the 2012 MTFP[21] in practice.	The Government Plan differs significantly from the MTFP. The Government Plan links expenditure to corporate strategic priorities, presented by priority area rather than within individual departments. This strengthens the integration of strategic and financial planning.	**Implemented but not embedded**
R29: Take steps to promote consistency of departmental elements of the MTFP[22].	Standard returns have been introduced to capture information so that all departments provide information in a consistent format. A consistent approach has been adopted to the presentation of all information in the Government Plan. The outcomes are standardised so that information is presented in a consistent format for all departments.	**Implemented**

Source: Recommendations from Financial Management - Part 1 (April 2015)

Coverage to support the business

2.24 Effective financial planning covers all areas of the business with integration of current expenditure plans with investment programmes, treasury management, cashflow and balance sheet projections.

2.25 Previously, I made wide-ranging recommendations to enhance the coverage of the Medium Term Financial Plan to consider all the finances of the States with an increased focus on risk, the States' balance sheet, identification of savings and the preparation of business cases.

2.26 The Government Plan demonstrates significant progress in implementing my recommendations (see Exhibit 13).

[19] Now replaced by the Government Plan
[20] Now replaced by Government Plans
[21] Now replaced by the Government Plan
[22] Now replaced by the Government Plan

Exhibit 13: Coverage to support the business: progress in implementing recommendations

Recommendation	Action	Evaluation
R1: In the future extend the MTFP[23] to cover all the public finances of Jersey.	The Government Plan includes a detailed review of all funds. The Government Plan includes key balance sheet projections over a four year period.	**Implemented**
R2: In the future include depreciation and impairment in the measure of expenditure for which funds are allocated by the States Assembly.	Depreciation is now included in the MTFP and management plan to include it in the Government Plan going forward. Impairments are reductions in the value of assets over and above the routine consumption of assets arising from, for example: • loss or damage; • abandonment of projects; and • unforeseen obsolescence. No allowance for impairments is reflected in the Government Plan.	**Partially implemented** Implemented for depreciation but not for impairment. In my view, it is possible, based on experience, to budget for impairments at a high level, for example reflecting the historic pattern of loss or damage.

[23] Now replaced by the Government Plan

Recommendation	Action	Evaluation
R30: Include in the MTFP[24]: • a consolidated corporate risk assessment; • a corporate consideration of demographic issues; and • a sensitivity analysis undertaken at corporate level.	The Government Plan includes a consolidated corporate risk assessment. However, as discussed later in this report, corporate risk management arrangements are still under development The Government Plan does not directly include demographic information. However, the impact of demographic changes has been built into the financial information included in the Government Plan. Sensitivity analysis has been undertaken and the impact of a range of scenarios is shown in the Government Plan.	**Implemented but not embedded**
R31: Include balance sheet forecasts in the MTFP[25].	The Government Plan contains a greater emphasis on the stewardship of the assets and liabilities included in the balance sheet to support longer term financial management. Balance sheet forecasts include non-current assets, investment, borrowing requirements and major provisions and liabilities.	**Implemented**
R32: Review current carry-forward process to encourage and incentivise potential underspends to be identified and, where appropriate, redistributed for corporate benefit.	The draft Public Finances Manual introduces a requirement for any carry forward to be approved by the Minister for Treasury and Resources.	**Implemented but not embedded**

[24] Now replaced by the Government Plan
[25] Now replaced by the Government Plan

Recommendation	Action	Evaluation
R33: Develop more sophisticated mechanisms for identifying efficiency savings.	An Efficiency Steering Group has been established, chaired by the Chief Operating Officer and supported by an external delivery partner. A series of meetings and workshops was held in February 2019. The Government Plan states that £20 million of savings have been identified from the £100 million that the Government has concluded are required. The Government Plan as lodged includes unidentified savings. Management are undertaking further work to identify efficiency savings.	**Partially implemented** Changes are in their early stages. Efficiency savings were not identified in sufficient time to prevent unidentified savings being included in the Government Plan as lodged.
R34: Review and reinforce compliance with corporate standards for business cases as a pre-requisite to their inclusion in the capital programme.	Management have developed guidance and templates for business cases. The templates have been completed for all items included in the Government Plan. Officers from Treasury and Exchequer have provided some support to budget holders in completing these documents and ensuring that quality standards have been met. Arrangements have been established for ongoing review of capital business cases, support for service areas in developing capital business cases and rejection of capital business cases not on the standard template. I have been advised that some training with external input has been provided on business case preparation.	**Implemented but not embedded**

Recommendation	Action	Evaluation
R35: Consider whether a different approach to funding of the capital programme should be adopted.	The Public Finances (Jersey) Law 2019 reformed the funding arrangements for capital expenditure. Previously the approved budget for a capital project was charged to the Consolidated Fund at the point of approval which might be many years before expenditure was to be incurred. As a result of the new Law, funding reflects the planned capital expenditure only for the year.	**Implemented**
R36: Include detailed scenario modelling for a range of options in relation to tax revenues in the next MTFP[26].	The Government Plan includes modelling on a range of tax levels.	**Implemented**

Source: Recommendations from Financial Management - Part 1 (April 2015)

Financial monitoring and forecasting

2.27 An essential component of financial management is effective monitoring and forecasting of financial performance. In my previous report I made recommendations on two dimensions of financial monitoring and forecasting (see Exhibit 14).

Exhibit 14: Financial monitoring and forecasting: areas of focus

Financial monitoring and forecasting

Use of financial and non-financial indicators

Quality of financial management systems

Use of financial and non-financial indicators

2.28 Management of finances is about more than managing budgets: it is about managing what is achieved with the money spent. The best performing organisations set budgets for financial performance and targets for non-financial performance alongside each other. They

[26] Now replaced by the Government Plan

also monitor financial and non-financial performance in tandem. In that way they can drive efficiency and effectiveness.

2.29 I previously made recommendations that focussed on enhancing the integration of financial and non-financial monitoring. There has been good progress in implementing those recommendations (see Exhibit 15). However, more work is required to implement and embed new arrangements.

Exhibit 15: Use of financial and non-financial indicators: progress in implementing recommendations

Recommendation	Action	Evaluation
R1: Develop a States-wide Corporate Plan as a bridge between Strategic Priorities[27], the MTFP[28] and departmental business plans.	The Government Plan lodged in July 2019. provides a clear link to the Common Strategic Policy 2018-22 and is wider in coverage than the previous MTFP. However, there is as yet no overarching corporate plan that brings together financial and other aspects of planning, including for example, that relating to people, IT and property.	**Partially implemented** The scope of the Government Plan is wider than that of the MTFP. However, no comprehensive corporate plan has been developed.
R2: Develop a consistent framework for departmental business plans that: • links departmental objectives to Strategic Priorities[29]; • supports the Corporate Plan; • improves integration of financial and non-financial objectives; and • ensures that targets are SMART.	A new Corporate Performance Framework has been developed and has been used in the preparation of the Government Plan and operational business plans. The Common Strategic Policy 2018-22 was approved in December 2018. The Government intends to prepare a detailed annual delivery plan with updated outline priorities for the three subsequent years. The Government Plan links financial information with the long term outcomes for Jersey.	**Implemented but not embedded**

[27] Now the Common Strategic Policy
[28] Now replaced by the Government Plan
[29] Now Common Strategic Policy

Recommendation	Action	Evaluation
R3: Over time develop integrated corporate financial and non-financial forecasting and reporting across the States, starting with a small number of key indicators for which relevant and appropriate information is available.	Integrated reporting is being developed as part of the work on the Government Plan. A new Corporate Performance Framework was approved by the EMT in May 2019. Key indicators have been developed for inclusion in the Government Plan. Management plan to pilot reporting on these indicators from Quarter 3 of 2019. The Annual Report for 2018 includes performance against some metrics but there are no embedded arrangements to secure data quality.	**Partially implemented** Work is required to improve the quality of reporting performance in the Annual Report.

Source: Recommendations from Financial Management - Part 2 (February 2016)

Quality of financial management systems

2.30 High quality and accessible financial information systems contribute to effective financial management. There is an increasing trend in high performing organisations for enhancing the financial skills of non-financial managers and providing them with the tools to allow them to interrogate and use financial information themselves to promote ownership, accountability and efficiency.

2.31 Previously, I reported significant weaknesses in the financial management systems and made recommendations for change, including in particular reviewing the timetable and resources for the replacement of the States' main accounting system. I am pleased to see that progress has been made with the preparation of an Outline Business Case for a new finance system, a key strand of finance modernisation (see Exhibit 16). It is important to recognise that such a project is not just a technology solution: having the right culture, the right people and the right skills is essential to securing value from the investment proposed.

Exhibit 16: Quality of financial management systems: progress in implementing recommendations

Recommendation	Action	Evaluation
R4: Review the timetable and resources for the proposed replacement of the JD Edwards main accounting system.	An Outline Business Case (OBC) has been developed for a new integrated technology solution. The timetable and broad resources required to implement a new technology solution have been considered against a	**Partially implemented** The timetable and resource requirements will not be refined until after

Recommendation	Action	Evaluation
	number of options. Management propose that detailed resource plans will only be developed after the preferred option in the OBC is agreed.	the approval of the OBC.
R5: Shift the balance of responsibility for budget monitoring and forecasting to budget holders and provide them with the tools necessary to perform the role.	A new reporting framework has been developed with a significant change in the report format. Finance Business Partners liaise with budget holders to develop forecasts, representing a shift in responsibility.	**Partially implemented** Implementation of new arrangements is in progress**.**
R6: Adopt States-wide standards for obtaining assurance on the integrity of key spreadsheets used for accountability and decision making.	There are ad hoc checks undertaken on the integrity of spreadsheets. However there are no consistent corporate standards in place.	**Not implemented**
R7: Across the States, review the tools used for budget monitoring and reporting, with the aim of consistent adoption of best practice.	Treasury and Exchequer has developed a new format report for budget monitoring purposes. The report includes revenue and capital items. The format of the report has changed and all departments now have a consistent report format.	**Implemented but not embedded**

Source: Recommendations from Financial Management - Part 2 (February 2016)

Financial and performance reporting

2.32 Effective management requires timely and accurate reporting of financial and non-financial performance to senior management and politicians. I previously reported and made recommendations in two areas (see Exhibit 17).

Exhibit 17: Financial and performance reporting: areas of focus

Financial and performance reporting

Meeting user needs

Timeliness of internal reporting

Meeting user needs

2.33 Good quality financial and performance reporting systems reflect different user needs. Information should be tailored to ensure that reports are relevant and useful.

2.34 I made recommendations that focussed on improving reporting, in particular to secure integration of financial and non-financial reporting. While there has been some progress in this area, there is more to do, reflecting the substantial work necessary to develop non-financial reporting. In the longer term, efficient integration of financial and non-financial reporting will require investment in technology (see Exhibit 18).

Exhibit 18: Meeting user needs: progress in implementing recommendations

Recommendation	Action	Evaluation
R8: Develop a common core of monitoring information to be used across the States, including integration of financial and non-financial information, risks and risk mitigation.	Common core financial information has been adopted. There are plans in place to implement some reporting of non-financial information and risks from Quarter 3 of 2019.	**Partially implemented** Reporting of non-financial information and risks is planned but not yet implemented. Efficient implementation is dependent on investment in technology.
R9: Adopt a structured approach to consulting users on the information needed to monitor performance against corporate and departmental priorities and revise reporting in light of consultation responses.	There has been some consultation with users on the financial aspects of the corporate financial monitoring report presented to EMT and COM. However, consultation did not cover Non-Ministerial Departments. Extensive feedback has been sought from the Chief Executive Officer, Corporate Strategy Board (CSB) and Ministers. The scope of the corporate financial monitoring report is agreed but management anticipate some minor changes following the feedback. Management intend that, in the future, the report mirrors the Government Plan format. The Corporate Performance Framework sets out the key indicators linked to priorities.	**Partially implemented** Although consultation has taken place, this did not cover all users.

Recommendation	Action	Evaluation
R10: Refocus the work of the Finance Advisory Board and Finance Managers Reporting Group[30] to include driving good practice and change across the States.	The Finance Advisory Board and Finance Managers Reporting Group have been replaced by the Performance Accounting and Reporting Group. The focus and remit of the Group is to drive and embed good practice. The Group meets fortnightly.	**Implemented but not embedded**

Source: Recommendations from Financial Management - Part 2 (February 2016)

Timeliness of internal reporting

2.35 Effective financial reporting in an organisation includes preparation of timely information for budget holders, managers and other decision makers.

2.36 I made one recommendation for improvement (see Exhibit 19).

Exhibit 19: Timeliness of internal reporting: progress in implementing recommendation

Recommendation	Action	Evaluation
R11: Reduce the time period for reporting performance against budget at both departmental and corporate level.	The target for reporting to departments has reduced from approximately 16/17 to 3 working days after month end. The target for corporate reporting has reduced from approximately 20 to approximately 10 working days after month end (and sometimes earlier to reflect the timing of meetings).	**Implemented**

Source: Recommendations from Financial Management - Part 2 (February 2016)

Recommendations

R1 Develop and implement the changes to accountability arrangements that are necessary in order to secure effective accountability whilst preserving constitutional independence of certain bodies, including the States of Jersey Police.

R2 Undertake a comprehensive, structured post-implementation review of the Finance Business Partner model, with input from user departments, to ensure that the full benefits of the new model are secured.

R3 Ensure that standard objectives for financial management are set for all staff with financial management responsibilities at each grade.

R4 Monitor the completion of staff appraisals and take prompt corrective action where necessary.

R5 Prioritise a review of financial management training for non-financial managers.

[30] The Board and Group have now been replaced by the Performance Accounting and Reporting Group

R6 Ensure that, as part of the new corporate arrangements for monitoring the implementation of recommendations, arrangements are put in place to facilitate reporting back to relevant Scrutiny Panels on progress in implementing recommendations that they have made.

R7 Enhance the arrangements for the scrutiny of existing expenditure, including:

- development of a programme of zero-based budget reviews; and
- ensuring that savings are identified in sufficient time that no unidentified savings are included in the Government Plan when lodged.

R8 Establish clear plans for completing the People Strategy and Estates Strategy in sufficient time for them to be taken into account when developing the next Government Plan.

R9 Annually report on compliance with the resourcing principles.

R10 Following adoption of the Government Plan, ensure that the proposed formal review of the preparation of and engagement around the Plan is comprehensive and completed in sufficient time to inform the next Government Plan.

R11 Reconsider the scope for budgeting for impairments.

R12 Prepare, adopt and monitor implementation of a plan to improve the quality of reporting of non-financial information both externally and internally.

R13 Ensure that there is:

- widespread engagement on and effective challenge of the proposals for an integrated technology solution; and
- effective project management of its implementation

so that the full benefits of a significant investment are secured and risks in implementation minimised.

R14 Adopt States-wide standards for obtaining assurance on the integrity of key spreadsheets used for accountability and decision making.

Financial Directions

3.1 Financial Directions, issued by the Treasurer of the States, have been a key element of the States' system of internal control. The Public Finances (Jersey) Law 2005 required the Treasurer to issue Financial Directions in some areas and permitted them to do so in other areas where necessary or expedient for the proper administration of the public finances of Jersey.

3.2 I reviewed and reported on Financial Directions across five areas (see Exhibit 20).

Exhibit 20: Financial Directions: areas of focus

Define	• Complying with statutory requirements for Financial Directions • Identifying other areas to be covered by Financial Directions
Develop	• Establishing programme for development • Establishing arrangements for approval of Financial Directions
Implement	• Issuing Financial Directions • Communicating contents of Financial Directions
Embed	• Oversight • Assurance on operation
Optimise	• Review process • Knowledge sharing and lessons learnt

3.3 I also considered arrangements for securing compliance with Financial Directions.

3.4 The Public Finances (Jersey) Law 2019 replaces the Financial Directions with a Public Finances Manual (PFM) that is required to include 'directions and information with respect to the proper administration of this Law and of the public finances of Jersey'. In following up my recommendations I have therefore considered, but as highlighted in paragraph 1.11 above, not reviewed in detail the draft Public Finances Manual.

Define

3.5 I previously identified that finance was only one area in which there was a requirement for enforceable corporate standards clearly communicated across the States. I recommended a consistent approach covering areas such as information management and human resources management. As outlined in Exhibit 21, limited progress has been made. However, the One Gov Board has agreed to the establishment of a Director General led working group to review overall corporate governance. The group is due to report by the end of the year and its work may lead to proposals in this area.

Exhibit 21: Define: progress in implementing recommendation

Recommendation	Action	Evaluation
R1: Following implementation of the detailed recommendations in this report, strengthen the States' overall system of internal control by developing 'Directions' to cover other areas, such as information management and human resource management.	Limited progress has been made in implementing a comprehensive system of internal control. Although new Financial Directions have been developed since the original report was undertaken, the overarching framework is lacking. Some progress has been made in updating HR policies but there has been limited progress made on IT. The One Gov Board has agreed to the establishment of a Director General led working group to review corporate governance and report by the end of 2019.	**Not implemented** Review of corporate governance only recently agreed.

Develop

3.6 The development of the draft PFM has been a substantial task. There has been enhanced engagement with stakeholders in developing the draft PFM. I identified areas for improvement in the draft PFM. Management have advised me these areas will be addressed in finalising the PFM (see Exhibit 22).

Exhibit 22: Define: progress in implementing recommendations

Recommendation	Action	Evaluation
R2: Review the mechanisms for engaging with departments to ensure that valuable insight into the practicality of existing and proposed Financial Directions[31] is sought, demonstrably considered and, where appropriate, acted upon.	There has been engagement with departments and end users to develop arrangements. Changes to Financial Directions were piloted for three months before they were implemented. The draft PFM was sent to Directors General for consultation in May 2019 and this consultation process has now closed. Quarterly meetings with Non-Ministerial Departments have recently been reinstated to facilitate engagement including on the PFM.	**Partially implemented** Consultation with Directors General was restricted to the content of the PFM and did not extend to its accessibility as the platform for the PFM had not at that stage been agreed. Engagement with Non-Ministerial Departments has only recently commenced and is still undeveloped.

[31] Now replaced by the Public Finances Manual

Recommendation	Action	Evaluation
		Consultation on the draft PFM with the Risk and Audit Committee cannot be completed until its membership is enhanced so that there are sufficient members for it to be quorate.
R3: Review and amend the current standard format for Financial Directions[32] to ensure that all Financial Directions contain: • a clear statement of the control risks being addressed; • a direct and accessible 'house style'; and • a clear linkage of mandatory requirements to control risks.	The draft PFM has been prepared with roll-out planned following the coming into force of the Public Finances (Jersey) Law 2019 on 23 July 2019. The draft PFM that I reviewed did not contain a clear statement of what the significant control risks were and how they were being addressed. I understand that management plan to reinclude significant control risks before finalising the PFM. The wording of the draft PFM that I reviewed was fairly accessible. I understand that the Government's house style is being adopted in finalising the PFM. There are 'must' and 'should' elements identified in each of the sections.	**Partially implemented** Some of my recommendations have been implemented. I understand that management are planning to implement the remaining recommendations.

Implement

3.7 The implementation process for the new PFM is mainly in the hands of a single experienced officer, creating a 'key person' risk. This risk has, however, been reduced by the appointment of the Director of Risk and Audit who leads on financial governance. Key elements, such as quality assurance, communications and training arrangements have not been fully developed (see Exhibit 23).

[32] Now replaced by the Public Finances Manual

Exhibit 23: Implement: progress in implementing recommendations

Recommendation	Action	Evaluation
R4: Update quality assurance procedures for Financial Directions[33] to ensure that revised corporate standards for drafting Financial Directions are complied with.	Quality assurance procedures are informal. The draft PFM has been reviewed by individuals from finance and non-finance. areas across the States including end users. There is no formalised user group.	**Not implemented** No formal process established.
R5: Adopt an appropriate platform for Financial Directions[34], using readily available software, which facilitates effective updating, navigation, searching and cross-referencing.	Plans are in place to roll-out the PFM on the www.gov.je internet site that will facilitate access by staff that do not have access to the Government's intranet. Management advises me that work to facilitate a search and index capability are in hand.	**Partially Implemented** Plans for publication of the PFM have been developed but have yet to be implemented. It is premature to evaluate whether they will fully address my recommendations.
R6: Develop a communications and training plan to ensure that all relevant staff are aware of the requirements of and changes to Financial Directions[35].	The training materials for Financial Directions have been updated to reflect the coming into force of the Public Finances (Jersey) Law 2019 and the introduction of the Public Finances Manual. The training material comprises slides for face to face briefings. It is premature to evaluate the effectiveness of the training. An embryonic training plan has been developed. A communications plan has recently been developed.	**Implemented but not embedded**

Embed

3.8 My recommendation for Accounting Officers (now Accountable Officers) to make a formal statement on compliance with Financial Directions (now the PFM) has been implemented. There is a recognition of the scope for implementation of more systems-based controls but strong cross-working between different strands of finance modernisation and successful roll-out of new systems is necessary to achieve this (see Exhibit 24).

[33] Now replaced by the Public Finances Manual
[34] Now replaced by the Public Finances Manual
[35] Now replaced by the Government Plan

Exhibit 24: Embed: progress in implementing recommendations

Recommendation	Action	Evaluation
R7: Include an explicit statement on compliance with Financial Directions in Accounting Officers' Governance Statements[36], linking issues of non-compliance to individual Financial Directions[37].	New arrangements have been introduced. Departments make a submission to Internal Audit to confirm any breaches that have been reported and exemptions that have been requested in the year. This information is checked for completeness against the list of exemptions granted in the year. Breaches are reported to the Treasurer of the States and are subject to Internal Audit review twice a year.	**Implemented**
R8: Identify and implement systems-based controls now and in the future as systems are introduced or changed. The aim should be to automate controls where possible to assist in ensuring compliance with all Financial Directions[38] efficiently.	Management are undertaking a wide-ranging review of: • process, policy and controls; • systems and data; and • people and organisation. As part of that review the scope for automation of controls is being considered. Some automated controls were implemented as part of the Supply Jersey roll-out.	**Partially implemented** There has been limited implementation of systems-based controls. Automation is being considered as part of the process review. However there is scope to align this work more closely to the requirements of the new PFM. Closer working between the development and implementation of the PFM and process redesign work could assist in automating controls to increase compliance with the PFM.

[36] Now replaced by Accountable Officers' Governance Statements
[37] Now replaced by the Public Finances Manual
[38] Now replaced by the Public Finances Manual

Optimise

3.9 I recommended a systematic annual review of Financial Directions. That recommendation was not implemented. Although the draft PFM provides for a 'rolling review' of the PFM, this falls short of the annual review that I recommended and that I believe is necessary to ensure its continuing relevance and appropriateness. In addition, the PFM does not specify the scope of the rolling review (see Exhibit 25).

Exhibit 25: Optimise: progress in implementing recommendation

Recommendation	Action	Evaluation
R9: Undertake an annual review of Financial Directions[39] following the preparation of the Annual Governance Statement to: • consider the coverage and content of Financial Directions; • balance the need to manage risk with the costs of compliance with Financial Directions; and • identify areas for corrective action.	The draft PFM requires a 'rolling review' by the Director of Risk and Audit.	**Partially implemented** The PFM does not provide for the annual review that in my view is necessary to keep the PFM up to date and relevant. Furthermore, there is no explicit requirement that the review is wide-ranging and with a significant independent element, drawing on the input of service departments and other central functions interacting with Treasury and Exchequer.

Compliance with Financial Directions

3.10 I previously reported on the importance of short, principles based Financial Directions to communicate important requirements clearly and maximise the prospect for consistent compliance. I am pleased that this recommendation has been embraced in drafting the PFM: the draft PFM reduces the mandatory requirements by 82% over those contained in the Financial Directions. However, there are other recommendations that have not been fully implemented (see Exhibit 26). Going forward, a key challenge is to promote a culture of compliance so that exemptions from the mandatory requirements of the PFM are exceptional and, where agreed, justified and subject to scrutiny.

[39] Now replaced by the Public Finances Manual

Exhibit 26: Compliance with Financial Directions: progress in implementing recommendations

Recommendation	Action	Evaluation
R10: Align requirements for record-keeping with mandatory requirements of Financial Directions[40] so that it is possible to test compliance with all mandatory requirements of Financial Directions.	The draft PFM includes a section on record-keeping for compliance and assurance purposes.	**Partially Implemented** The PFM is in draft.
R11: Minimise the volume of mandatory requirements when drafting Financial Directions[41].	The Financial Directions contained 1,292 mandatory requirements. There was no reduction in the mandatory requirements in the most recently issued Financial Directions. Management have focussed on reducing the requirements in the draft PFM. The draft PFM has reduced the mandatory requirements by 82%. Version 31 of the draft PFM included 238 'musts' and 54 'shoulds'. There is an appropriate requirement to document and retain documentation for any departure from a 'should'.	**Implemented**
R12: Clearly distinguish between mandatory requirements of Financial Directions[42] and supporting guidance on implementation.	The mandatory elements are made clear in the draft PFM. Management plan to prepare operating procedures to support the PFM.	**Partially implemented** Dependent on finalisation of the PFM and embedding arrangements for its maintenance and updating.

[40] Now replaced by the Public Finances Manual
[41] Now replaced by the Public Finances Manual
[42] Now replaced by the Public Finances Manual

Recommendation	Action	Evaluation
R13: Undertake a sense check of the practicality of all mandatory requirements of Financial Directions[43], including through engagement, particularly of front line users, before Financial Directions are finalised.	There was extensive engagement with a User Forum on the revised Financial Direction on travel. Consultation on the draft PFM has been undertaken. This included consultation with a limited number of front line users. An informal User Forum of States officers has recently been established.	**Partially implemented** Arrangements are not fully documented and formalised.

Recommendations

R15 Develop and implement an overarching framework for establishing, communicating and monitoring compliance with corporate standards in areas other than finance.

R16 Establish robust arrangements for consultation with users, including those in Non-Ministerial Departments, on finance modernisation setting out a framework to determine:

- when consultation will take place;
- with whom it will take place;
- how it will take place; and
- how user views will be considered.

R17 Ensure that agreed management action detailed in this report is taken before finalising the PFM.

R18 Ensure that the internet facilitates effective updating, navigation, searching and cross-referencing before using it as the platform for the PFM.

R19 Ensure that robust training and communication plans are developed in good time for all major finance modernisation initiatives that require engagement with users outside Treasury and Exchequer.

R20 Ensure that business cases are prepared for all exemptions to the mandatory requirements of the PFM and, in summarised form, routinely reported to the Risk and Audit Committee.

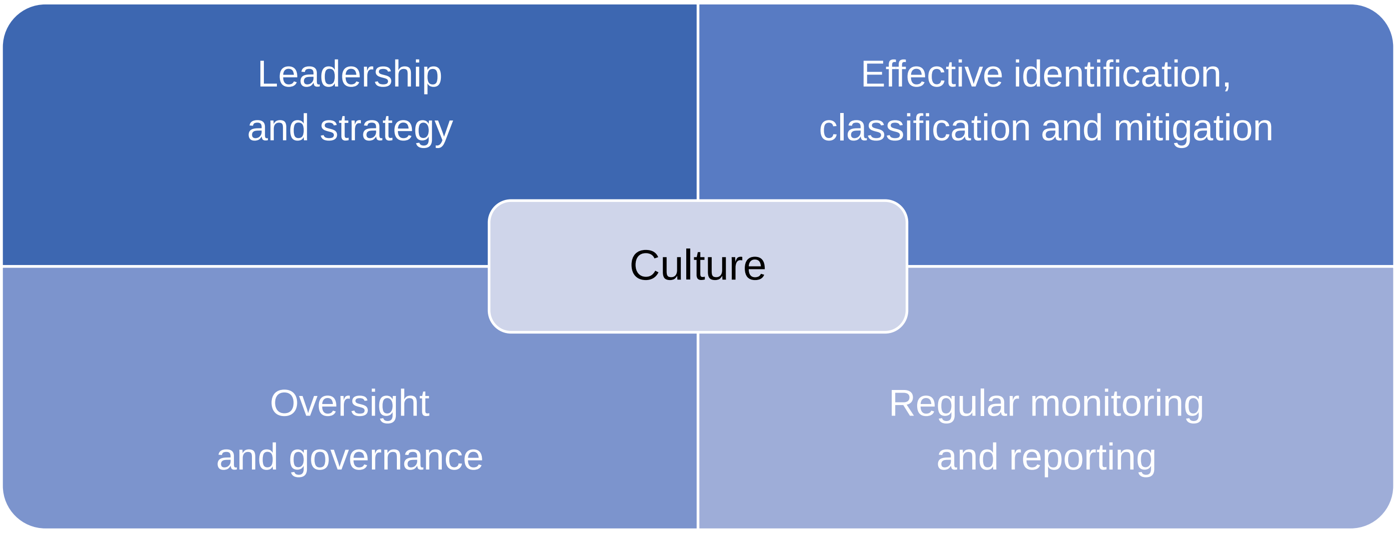
R21 Ensure that a formal annual review of the PFM is undertaken, drawing widely on the views of service departments and other central functions interacting with Treasury and Exchequer.

[43] Now replaced by the Public Finances Manual

Risk Management

4.1 High performing organisations have effective corporate and departmental arrangements for identifying, assessing, accepting, mitigating, monitoring and escalating risks. My 2017 report identified progress in corporate arrangements for risk management but still much work to do to develop and embed effective States-wide arrangements in the areas reviewed (see Exhibit 27).

Exhibit 27: Risk management: areas reviewed



4.2 Following publication of my report in September 2017, little effective progress was made in implementing my recommendations until a Director of Risk and Audit within Treasury and Exchequer took up post in January 2019. Work is underway to develop the corporate approach to risk management. Despite the engagement of some external support, capacity is stretched and risk management remains in its infancy with much to be done in all the areas that I reviewed.

Oversight and governance

4.3 Effective organisation-wide governance structures are necessary for effective risk management. I previously made recommendations for clear, documented clarification of roles and responsibilities.

4.4 New arrangements for the oversight of risk management, including the establishment of a Directorate Risk Group, have been implemented. Key governance documents relating to risk management have been reviewed: in some cases revised documents have been finalised but in some cases they remain in draft. The Risk and Audit Committee has a key role in overseeing arrangements. However, it now has insufficient members to be quorate. It is vital that new members, when appointed, have the requisite skills and knowledge to provide meaningful oversight of and challenge to arrangements for risk management (see Exhibit 28).

Exhibit 28: Oversight and governance: progress in implementing recommendations

Recommendation	Action	Evaluation
R1: Strengthen the mechanisms by which the Audit Committee[44] discharges its responsibilities for risk management, including by: • increasing the review and challenge of the design and operation of risk management policies and procedures; and • directly linking the review of specific risk areas to the contents of the Corporate Risk Register.	A Chair has been recruited for the renamed Risk and Audit Committee with a background in risk management. A review of the Terms of Reference for the Risk and Audit Committee has been undertaken and, following extended discussions, revised terms of reference were agreed in July 2019. The Risk and Audit Committee has agreed to undertake a programme of deep dives to review areas of significant risk. The first two deep dives were on Brexit and Finance Transformation. A revised format for the corporate risk register has been agreed.	**Implemented but not embedded**
R2: Prioritise the completion of the review of the Terms of Reference of CMB[45], the CMB Risk Management Sub-Group[46] and DRMG[47] to: • resolve confusion and ambiguity; • clearly specify risk management reporting responsibilities; and • place an explicit duty on CMB and 'groups' to satisfy themselves that any groups responsible to them for risk management activities discharge their responsibilities.	New governance structures are in place with the Corporate Management Board (CMB) replaced by Corporate Strategy Board (CSB) and Executive Management Team (EMT). In addition, the One Gov Board has a focus on risk. The Risk Management Strategy clearly sets out reporting lines. The Directorate Risk Group (DRG) replaces the CMB Risk Management Sub-Committee. Terms of reference for the DRG have been drafted, including details of the role and scope of the work of the group. The DRG started to meet bi-monthly from May 2019. Risk management roles and responsibilities are clearly set out in the draft Risk Management Strategy.	**Implemented but not embedded** Although EMT considered the Risk Management Strategy, it has yet to adopt it formally. Further work will be required to ensure that it will be consistently used.

[44] Now renamed the Risk and Audit Committee
[45] Now replaced by the Executive Management Team
[46] Now replaced by the Directorate Risk Group
[47] Now dissolved and not replaced

Leadership and strategy

4.5 Effective risk management requires effective leadership and clear articulation of a strategy for risk management.

4.6 I previously identified a need to review key documents, enhance arrangements for communicating the strategy within the States and provide enhanced support to departments in implementing the strategy.

4.7 There has been progress but much remains to be done. There has been slippage in reviewing and redrafting key documents and there are no plans for roll-out of revised documents when agreed. In other areas, such as support for Non-Ministerial Departments, there have been some recent discussions but arrangements have yet to be formalised (see Exhibit 29).

Exhibit 29: Leadership and strategy: progress in implementing recommendations

Recommendation	Action	Evaluation
R3: Review the contents of the Code and associated Guidance so that the Code contains all mandatory requirements and that the role of the Guidance is to support States officers in complying with the requirements of the Code.	Further work has been undertaken to review the Code and Guidance, with a view to establishing mandatory requirements in the Code, supported by Guidance. The initial plan was to finalise the revised Code and Guidance at EMT in February 2019. However, as at July 2019 the Code and Guidance remain in draft. A revised Risk Management Strategy has been prepared but not yet considered by the Risk and Audit Committee.	**Partially implemented** Revisions have been drafted but not yet finalised.
R4: Develop and implement a plan for effective roll-out of the new Guidance once finalised to ensure: • a consistent understanding by all staff involved in risk management activities across the States; and • that there is an active process to capture feedback and learning once the Guidance is launched, to identify barriers to embedding risk management in the day to day running of the States' business.	There is an aspiration to roll-out the guidance once it is finalised. Management have advised me that they intend to finalise their plans for roll-out shortly.	**Not implemented** Plans for implementation have not yet been documented.

Recommendation	Action	Evaluation
R5: Adopt a timetable for review, updating and adoption of departmental arrangements to ensure consistency with the Code and Guidance.	The DRG reviews departmental risk registers. A timetable is planned to be introduced once the DRG starts to meet regularly. Management plan to align the departmental timetable with the corporate reporting timetable.	**Not implemented** No timetable for review, updating and adoption of departmental arrangements has been developed.
R6: Establish enhanced arrangements, including peer support where appropriate, to engage and support Non-Ministerial Departments in complying with the corporate approach to risk management.	Officers in Treasury and Exchequer are having discussions with Non-Ministerial Departments on risk management.	**Partially implemented** Arrangements for support are informal and not developed. However, many Non-Ministerial Departments are small with limited skills or capacity in this area and require support to ensure that effective arrangements for risk management are in place.
R7: Ensure that all departments integrate risk management into wider business planning processes, including published business plans.	Risk management is being considered alongside the development of the Government Plan during 2019. Management intend to promote risk management as a key pillar in all manager roles. However, HR has yet to finalise and roll-out the competency framework. The promotion and training for this is included in the risk management work plan for 2019 and 2020. The Director of Risk and Audit has liaised with officers in Strategic Policy, Performance and Population to develop an integrated approach to risk management.	**Partially implemented** Integration of risk management into wider business planning processes is in its infancy.

Effective identification, classification and mitigation

4.8 Good governance and strategy are necessary but not sufficient for effective risk management. It also requires an appropriate, consistently applied approach to identification, classification and mitigation of risk. In 2017 I made wide-ranging recommendations on enhancing arrangements, including through peer review and training. Although action in some areas has commenced, much remains to be done. In some areas, such as capturing experiences of training on risk management and undertaking a programme of peer reviews, there are aspirations but as yet no developed plans. It will take time, effective planning and commitment to secure full implementation and embedding of my recommendations (see Exhibit 30).

Exhibit 30: Effective identification, classification and mitigation: progress in implementing recommendations

Recommendation	Action	Evaluation
R8: Undertake a comparative review of the content of all departmental risk registers and the rigour and frequency of their review.	A review of risk registers is underway as part of the roll-out of Risk Management Strategy and development of DRG. A peer review process is included in the Terms of Reference for DRG, but a timetable has yet to be agreed.	**Partially implemented** Plans are in place for the integration of risk management into wider business planning processes
R9: Strengthen risk escalation arrangements, including for Non-Ministerial Departments.	Risk escalation arrangements are clearly set out in the Risk Management Strategy. Management have advised me that they plan to have discussions with Non-Ministerial Departments about the operational arrangements for escalation applicable to them.	**Partially implemented** Arrangements for risk escalation have been introduced in Ministerial departments. Arrangements for Non-Ministerial Departments have not been finalised.
R10: Ensure that risks associated with entities controlled by the States are reflected in the Corporate Risk Register and Treasury and Resources[48] departmental risk register as appropriate.	A revised format for the corporate risk register has been agreed. In response to my most recent report on the *States as a Shareholder* issued in March 2019, management propose that Memoranda of Understanding with States owned companies include reporting on governance arrangements and risk management. Management propose that any significant risks are communicated to the DRG and	**Implemented but not embedded**

[48] Now Treasury and Exchequer

Recommendation	Action	Evaluation
	escalated to the EMT where appropriate. Officers have had initial discussions on risk management with Ports of Jersey and Andium Homes.	
R11: Prioritise development of a common e-learning platform across the States to facilitate effective roll-out of corporate training.	An e-learning platform was rolled out across the States in Summer 2019.	**Implemented but not embedded**
R12: Update the competency framework and corporate training programme to reflect risk management skills as part of the wider cultural change programme within Public Sector Reform.	A review of the competency framework is underway. Work is in progress through HR/Team Jersey to develop a corporate approach to induction training and regular development training using the e-learning platform. The performance framework has been presented to the One Gov Board and is being developed and rolled out during 2019.	**Not implemented** Management are planning to include risk management in the competency framework.
R13: Develop mechanisms to capture and share experience of departmental training initiatives across the States.	The DRG is planning to focus on cross-Government learning and plans to build peer review and learning into its work programme.	**Not implemented** There is no evidence of tangible actions being undertaken.
R14: Undertake a programme of peer review of departmental risk registers to promote consistency of approach and challenge risk identification, evaluation, mitigation and reporting.	Management plan to improve consistency through: • DRG arrangements and developing peer review; and • a corporate team review of selected areas and an annual Independent review. However, no formal plans have been developed. The Risk and Audit Committee plans to build in reviews of Directorate risk registers and has the option to undertake deep dives as required.	**Not implemented** A programme of peer reviews has not yet commenced.

Regular monitoring and reporting

4.9 Effective risk management requires regular reporting against risks and mitigation, including escalation as appropriate.

4.10 I am pleased that some of my recommendations in this area have been implemented but it is too early for them to be embedded in ways of working. I was concerned, however, that arrangements for reporting on risks and mitigation to Ministers were not sufficiently developed. In my view, six monthly reporting to COM was insufficient for COM to provide effective oversight of risk management. I am pleased to note that management have agreed to move to quarterly reporting of risks and mitigation to COM (see Exhibit 31).

Exhibit 31: Regular monitoring and reporting: progress in implementing recommendations

Recommendation	Action	Evaluation
R15: Include in the amended Terms of Reference for DRMG a duty to review the effectiveness of mitigating action and share learning acquired as a result.	Included in draft DRG Terms of Reference.	**Implemented but not embedded**
R16: Strengthen arrangements for reporting of risk and mitigation to ministers.	Revised Guidance includes COM review twice a year. Management have advised me of their intention to move to quarterly reporting.	**Partially implemented** Full implementation dependent on move to quarterly reporting.
R17: Determine the timing and frequency of internal review of risk management arrangements.	The Risk Management Strategy provides for an external review at least annually.	**Implemented but not embedded**

Cultural change

4.11 In my previous report I emphasised the importance of driving cultural change so that the workforce embraced risk management as a key part of day-to-day management. Given that implementation of many of my recommendations is in progress or yet to commence, it is not possible to conclude that substantial progress has been made in this area. However, the appointment from the start of 2019 to the new post of Director of Risk and Audit provides a welcome focus for driving a message about risk management across the States (see Exhibit 32).

Exhibit 32: Cultural change: progress in implementing recommendation

Recommendation	Action	Evaluation
R18: In implementing the other recommendations in this report, focus on steps to secure cultural change within the States' workforce to embrace risk management as an integral tool of management.	Initial actions have been taken to promote risk management as an integral tool of management, including: • workshops for senior leaders; • a workshop for Ministers; • discussions with Non-Ministerial Departments and States owned companies; and • inclusion of risk and mitigations in the Government Plan. The Team Jersey Programme Phase One Culture Feedback Report (April 2019) identified risk aversion as a barrier to cultural change.	**Partially implemented** Actions on implementing the risk management strategy are in their infancy.

Recommendations

R22 Establish a clear timetable for finalisation of key governance documents for risk management and monitor delivery against it.

R23 Prioritise recruitment of suitably skilled and experienced members of the Risk and Audit Committee so that it can return to quoracy as a matter of urgency.

R24 Develop, adopt and monitor implementation of a formal plan for finalising the Risk Management Strategy, Code and associated Guidance.

R25 Finalise risk escalation arrangements for Non-Ministerial Departments.

R26 Develop, adopt and monitor implementation of mechanisms to capture and share experience of departmental training initiatives across the States.

R27 Develop, adopt and monitor implementation of structured arrangements for peer review of departmental risk registers.

R28 In implementing revised arrangements for risk management, focus on steps to secure cultural change within the States' workforce to embrace risk management as an integral tool of management, including capturing and sharing of learning.

Internal Audit

5.1 An effective internal audit function is a key means by which an organisation gains assurance about the design and operation of its system of internal control. I originally reported in 2014 and undertook a follow-up review the subsequent year. Substantial work had been undertaken to implement my original recommendations and I made only three recommendations arising from my follow-up review. As part of this review I have focussed on evaluation of progress in implementing those three recommendations.

5.2 Two of my recommendations have been fully implemented. However, further work is needed to review the job descriptions for key officers to reinforce the operational independence of the statutory 'chief internal auditor' (see Exhibit 33).

Exhibit 33: Internal Audit: progress in implementing recommendations

Recommendation	Action	Evaluation
R1: Embed arrangements to secure the operational independence of the Chief Internal Auditor through changes to the job descriptions of the Chief Internal Auditor, Chief Executive and Treasurer of the States and, if deemed necessary, changes to legislation.	The Public Finances (Jersey) Law 2019 preserves the statutory role of 'chief internal auditor' contained in the Public Finances (Jersey) Law 2005. The Machinery of Government (Miscellaneous Amendments) (Jersey) Law 2018 designated the Chief Executive as the Principal Accountable Officer in respect of the Government of Jersey. However, the Job Description for the Chief Executive has not been reviewed in light of this legislative change and, indeed, makes no reference to internal audit. As a result of the implementation of the Target Operating Model for Treasury and Exchequer, new Group Director and Director posts have been established, including a Director of Risk and Audit to whom the Head of Internal Audit reports. The Job Descriptions for the Director of Risk and Audit and the Head of Internal Audit do not set out how the independence of the Head of Internal Audit is secured. The draft Public Finances Manual sets out arrangements to secure the operational independence of the Head of Internal Audit.	**Partially implemented** Job descriptions do not reflect operational arrangements to secure the statutory independence of the Chief Internal Auditor.
R2: Embed arrangements to ensure that all necessary assurance work is adequately resourced before consideration is	New arrangements are in operation where assurance work is given priority in the Internal Audit Plan. At the time of the initial review the outcomes of advisory work were not	**Implemented**

Recommendation	Action	Evaluation
given to advisory work.	reported to corporate management or the (then) Audit Committee providing an incentive for departments to seek advisory reviews. The results of advisory work identifying weaknesses are now reported in the same way as for assurance work.	
R3: Embed appropriate arrangements for monitoring of the quality of internal audit (whether provided in-house or outsourced), including effective oversight by the Audit Committee[49] of the implementation of the remaining elements of the Quality Improvement Programme.	An annual review has been introduced to monitor the quality of Internal Audit against appropriate professional standards (in this case against Public Sector Internal Audit Standards (PSIAS)). The results of the review are reported to the Risk and Audit Committee. The Terms of Reference for the Risk and Audit Committee refer to the annual review. On a triennial basis a quality review of internal audit is undertaken by independent consultants and the results reported to the Risk and Audit Committee. The next review is scheduled for 2020.	**Implemented**

Recommendation

R29 Review and update the job descriptions for key officers, including the Chief Executive, Treasurer of the States, Director of Risk and Audit and Chief Internal Auditor to ensure that they adequately support the operational independence of the Chief Internal Auditor.

[49] Now renamed the Risk and Audit Committee

Management of the finance modernisation initiatives

6.1 My review focussed on the progress that has been made in the implementation of recommendations that I previously made. My review was not designed as a critique of the finance modernisation initiatives, including the Finance Transformation Programme. However, it is not possible to undertake a review of this nature without forming some views on the management of the initiatives in addition to the evaluation of progress in implementing my recommendations in the earlier sections of this report.

6.2 Firstly, in some key areas, such as risk management and financial governance, there was historically insufficient dedicated resources appropriate for the size and complexity of the States. This contributed to slow progress and meant that there was over reliance on some key individuals. The Chief Executive and the Treasurer of the States have recognised this historical underinvestment. New dedicated positions have been created and the senior posts have been filled. The investment in this area should create a more sustainable capacity to deliver ongoing improvement in these crucial areas.

6.3 Secondly, consistent overall arrangements were not in place for managing different elements of the finance modernisation initiatives. This is evident from comparing the approach to implementation of my recommendations on core financial management as part of the Finance Transformation Programme on the one hand and those on Financial Directions on the other. In the former, formal programme and project management arrangements were in place with significant identified external support. In the latter, project management was informal. There was heavy reliance on a small number of individual officers to implement extensive changes with limited resources at a time when posts remained unfilled in the new structure.

6.4 In such a situation it was not surprising that progress in implementing recommendations has been slower and plans for implementation less developed in those areas. Managing all the elements of a set of inter-related initiatives as a single programme:

- brings a consistent rigour to managing delivery with officers consistently applying project and programme management approaches;
- allows objective decisions to be made on where additional support is needed; and
- strengthens consideration of the interdependencies of different components of change, such as those relating to systems and those relating to the communication of processes to service users.

6.5 From April 2019 the Treasurer of the States oversaw all finance modernisation initiatives through his Senior Leadership Team. However, formal consistent arrangements for programme and project management have yet to be implemented.

6.6 Thirdly, there has been a lack of transparency in identifying and reporting the costs of the finance modernisation initiatives. I recognise that significant expenditure is required, including in engaging expert support, to secure the longer-term benefits of finance modernisation. Although the Government Plan identifies resources for finance modernisation and an integrated technology solution, identification of the total budget for implementation has been opaque.

6.7 Finally, the different circumstances and resources of Non-Ministerial Departments have not been consistently considered. These departments, for constitutional reasons, sit outside the Government of Jersey and are not accountable to Ministers. Some are very much smaller than Ministerial Departments without the same capacity or expertise, for example on risk management.

Recommendations

R30 Periodically review internal capacity and capability within Treasury and Exchequer to sustain the delivery of key corporate activities.

R31 Implement consistent and clear arrangements for the planning, management, resourcing and governance of all elements of finance modernisation.

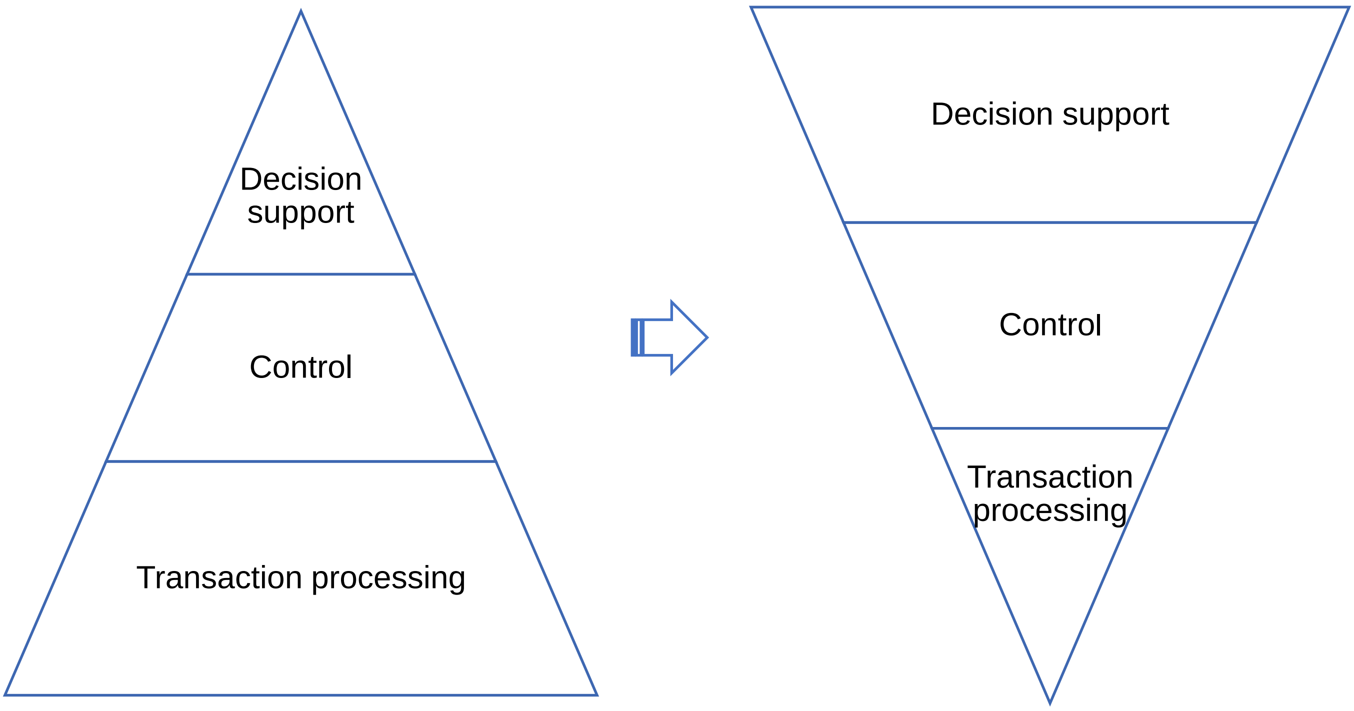
R32 Establish arrangement to report transparently, consistently and on a timely basis on finance modernisation initiatives.

R33 In implementing the other recommendations in this report and in implementing finance modernisation, carefully consider the need to adapt the approach for Non-Ministerial Departments, including in relation to the support provided.

Conclusion

7.1 Effective financial management and internal control are the underpinnings of high performing organisations. I have previously reported significant scope for improvement in a series of reports. The sum effect of such improvements is designed to transform the finance function, shifting the balance of activities to those which provide insightful support to decision making (see Exhibit 34).

Exhibit 34: Shifting the balance of the finance function



7.2 Progress was made in implementation in some areas, such as internal audit, but in others progress was until recently slow. The due diligence review undertaken on the appointment of the current Chief Executive echoed my findings and led to the establishment of a range of finance modernisation initiatives, including the Finance Transformation Programme.

7.3 Taken together, the finance transformation initiatives are a wide-ranging and ambitious programme that is seeing implementation or progress in the implementation of my recommendations at a pace that I have not previously seen. I welcome 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 COM and EMT;
- 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 for an integrated technology solution, replacing the current main accounting system and facilitating the integration of financial and wider performance reporting;
- the preparation of the PFM to replace the current Financial Directions. I am 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.

7.4 Where recommendations have yet to be implemented or fully implemented there are in many cases plans for implementation.

7.5 However, 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 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.

7.6 Implementation of my recommendations requires effective management of the finance modernisation initiatives involving:

- sufficient internal capacity to sustain key corporate activities;
- integrated planning, management and governance of finance modernisation initiatives, including of the allocation of resources;
- transparent identification and reporting of the costs of finance modernisation; and
- careful consideration of the adaptations to new arrangements necessary for Non-Ministerial Departments. I am considering arrangements for finance support for Non-Ministerial Departments in a separate review that I am currently undertaking.

7.7 Delivery of finance modernisation cannot be seen as the responsibility of Treasury and Exchequer alone. It requires the commitment of and action by other departments, for example to:

- develop and finalise the core strategies, such as the Estates Strategy and People Strategy, that underpin corporate and financial planning; and
- strengthen people management, so that staff appraisals are consistently undertaken, skills development requirements consistently captured and a relevant training programme developed. These measures will, in time, help to reduce reliance on interim staff and contractors and the associated risks.

7.8 In this report I have made specific recommendations in relation to each of the four areas covered by my previous six reviews. These recommendations replace all my earlier recommendations in those reports. Subsequent follow-up in these areas should be undertaken against the recommendations contained in this report.

7.9 The delivery of the recommendations in this report require collective action to:

- embrace ongoing cultural change so that individual and collective performance management and risk management are an integral part of the way of working; and
- ensure that a culture of good governance is seen as the bedrock on which successful change is built and embedded.

APPENDIX 1: Summary of Recommendations

Financial Management

R1 Develop and implement the changes to accountability arrangements that are necessary in order to secure effective accountability whilst preserving constitutional independence of certain bodies, including the States of Jersey Police.

R2 Undertake a comprehensive, structured post-implementation review of the Finance Business Partner model, with input from user departments, to ensure that the full benefits of the new model are secured.

R3 Ensure that standard objectives for financial management are set for all staff with financial management responsibilities at each grade.

R4 Monitor the completion of staff appraisals and take prompt corrective action where necessary.

R5 Prioritise a review of financial management training for non-financial managers.

R6 Ensure that, as part of the new corporate arrangements for monitoring the implementation of recommendations, arrangements are put in place to facilitate reporting back to relevant Scrutiny Panels on progress in implementing recommendations that they have made.

R7 Enhance the arrangements for the scrutiny of existing expenditure, including:

- development of a programme of zero-based budget reviews; and
- ensuring that savings are identified in sufficient time that no unidentified savings are included in the Government Plan when lodged.

R8 Establish clear plans for completing the People Strategy and Estates Strategy in sufficient time for them to be taken into account when developing the next Government Plan.

R9 Annually report on compliance with the resourcing principles.

R10 Following adoption of the Government Plan, ensure that the proposed formal review of the preparation of and engagement around the Plan is comprehensive and completed in sufficient time to inform the next Government Plan.

R11 Reconsider the scope for budgeting for impairments.

R12 Prepare, adopt and monitor implementation of a plan to improve the quality of reporting of non-financial information both externally and internally.

R13 Ensure that there is:

- widespread engagement on and effective challenge of the proposals for an integrated technology solution; and
- effective project management of its implementation

so that the full benefits of a significant investment are secured and risks in implementation minimised.

R14 Adopt States-wide standards for obtaining assurance on the integrity of key spreadsheets used for accountability and decision making.

Financial Directions

R15 Develop and implement an overarching framework for establishing, communicating and monitoring compliance with corporate standards in areas other than finance.

R16 Establish robust arrangements for consultation with users, including those in Non-Ministerial Departments, on finance modernisation setting out a framework to determine:

- when consultation will take place;
- with whom it will take place;
- how it will take place; and
- how user views will be considered.

R17 Ensure that agreed management action detailed in this report is taken before finalising the PFM.

R18 Ensure that the internet facilitates effective updating, navigation, searching and cross-referencing before using it as the platform for the PFM.

R19 Ensure that robust training and communication plans are developed in good time for all major finance modernisation initiatives that require engagement with users outside Treasury and Exchequer.

R20 Ensure that business cases are prepared for all exemptions to the mandatory requirements of the PFM and, in summarised form, routinely reported to the Risk and Audit Committee.

R21 Ensure that a formal annual review of the PFM is undertaken, drawing widely on the views of service departments and other central functions interacting with Treasury and Exchequer.

Risk Management

R22 Establish a clear timetable for finalisation of key governance documents for risk management and monitor delivery against it.

R23 Prioritise recruitment of suitably skilled and experienced members of the Risk and Audit Committee so that it can return to quoracy as a matter of urgency.

R24 Develop, adopt and monitor implementation of a formal plan for finalising the Risk Management Strategy, Code and associated Guidance.

R25 Finalise risk escalation arrangements for Non-Ministerial Departments.

R26 Develop, adopt and monitor implementation of mechanisms to capture and share experience of departmental training initiatives across the States.

R27 Develop, adopt and monitor implementation of structured arrangements for peer review of departmental risk registers.

R28 In implementing revised arrangements for risk management, focus on steps to secure cultural change within the States' workforce to embrace risk management as an integral tool of management, including capturing and sharing of learning.

Internal Audit

R29 Review and update the job descriptions for key officers, including the Chief Executive, Treasurer of the States, Director of Risk and Audit and Chief Internal Auditor to ensure that they adequately support the operational independence of the Chief Internal Auditor.

Management of the finance modernisation initiatives

R30 Periodically review internal capacity and capability within Treasury and Exchequer to sustain the delivery of key corporate activities.

R31 Implement consistent and clear arrangements for the planning, management, resourcing and governance of all elements of finance modernisation.

R32 Establish arrangement to report transparently, consistently and on a timely basis on finance modernisation initiatives.

R33 In implementing the other recommendations in this report and in implementing finance modernisation, carefully consider the need to adapt the approach for Non-Ministerial Departments, including in relation to the support provided.

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