

Thursday 24 October 2019

**WEAKNESSES HIGHLIGHTED IN THE STATES'
ARRANGEMENTS FOR OVERSIGHT OF
THE REMUNERATION OF BOARD MEMBERS**

Comptroller and Auditor General issues latest report

Comptroller and Auditor General (C&AG), Karen McConnell, has today (24 October 2019) published a report on the *Remuneration of Board Members*.

This report draws conclusions from comparative information on the remuneration and key terms and conditions of a sample of executive and non-executive directors of States owned companies, statutory bodies and bodies with substantial funding from the States of Jersey. It evaluates the adequacy of the arrangements that the States have in place to oversee and secure transparency of the remuneration and terms and conditions of the directors (or equivalent) of such bodies.

Karen McConnell concluded that:

An effective relationship between the States and the bodies that it owns, creates and substantially funds is essential for the delivery of high quality public services.

Part of managing that relationship is in ensuring that the remuneration of the Boards of those bodies is appropriate to their circumstances. That does not mean that variation in remuneration is a bad thing but that variation should be objectively justifiable. However, it is difficult to demonstrate the appropriateness of Board remuneration when there is no overarching policy.

To address that issue, the C&AG recommends the development of an overarching policy including a framework within which:

- the envelope for Board remuneration is established;
- individual Board member remuneration is established, taking into account relevant factors, including comparable roles and market forces; and
- the components of pay packages, including in particular the nature and terms of bonus schemes, are determined.

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Currently there is no single part of Government with responsibility for oversight of Board remuneration and it is not obvious where such a responsibility would lie. It falls outside the remit of Treasury and Exchequer, Growth, Housing and Environment, the States Employment Board and the Jersey Appointments Commission. In order to progress the development and subsequent oversight of such a framework the C&AG concludes that it is necessary to establish and empower an appropriate body or group to do so.

She also concludes that there is a need for enhanced transparency about the remuneration of Board members of some of the bodies. This would provide the public with readily accessible information on Board remuneration in a similar way to that for senior States officers.

Karen McConnell said:

“Senior staff remuneration, both for individuals and in total, is high profile. The States have a strong interest, as shareholder, sponsor and funder, in ensuring that there are appropriate and transparent arrangements for remuneration of Board members so that public confidence is maintained.

“Without a clear framework it is difficult to demonstrate the appropriateness of Board remuneration and to ensure that good governance is being maintained. But perhaps, as importantly, the lack of a clear framework together with weaknesses in oversight of the varied bodies funded by the States can lead to poor relationships with a consequent potential impact on services. This is illustrated by the tense exchanges between Andium Homes and the Government of Jersey. The dispute is unresolved.

“This report has focussed on remuneration but reinforces my concern, as reflected in many previous reports, that insufficient priority has been given to overseeing the relationship with companies, statutory bodies and funded bodies. In my view strengthened oversight is necessary, including through determining and monitoring compliance with minimum corporate governance requirements. The establishment of a high profile Board drawing together senior officers with an interest in finance, policy, delivery and governance, would provide a focus for the oversight of such bodies which is urgently needed.”

The report will be available on the Jersey Audit Office’s website from 0930 on Thursday 24 October 2019 at (www.jerseyauditoffice.je).

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Notes to Editors:

- The Office of Comptroller and Auditor General ('C&AG') was established in 2005 and operates under the Comptroller and Auditor General (Jersey) Law 2014
- The remit of the C&AG includes the audit of financial statements, corporate governance, internal control and wider consideration of public funds, often expressed as 'value for money'
- Karen McConnell was appointed in 2013 and the term of office was extended in 2014 to 31 December 2019. Following the introduction of the Comptroller and Auditor General (Jersey) Law 2014 the term of office is now fixed at seven years and is non-renewable
- Formerly of the UK Audit Commission ('the Commission'), Karen held a variety of senior positions, including leading the Audit Practice
- Karen has a full programme of work which she intends to fulfil before the end of her term of office. Lynn Pamment has been appointed as the new C&AG from 1 January 2020. Handover arrangements are in place overseen by the Board of Governance of the C&AG
- The Office of Comptroller & Auditor General is known as the 'Jersey Audit Office'
- Contact details are: de Carteret House, 7 Castle Street, St Helier, Jersey JE2 3BT / T:716800 / E: enquiries@jerseyauditoffice.je

Comptroller and Auditor General's Policy regarding issue of reports and contact with the media:

- Press releases will be published by the Jersey Audit Office to accompany the publication of each report
- Embargo times, where set, will be at 0001 hours on the day of publication - for press releases, reports and all other information pertaining to the publication date
- Other press releases/statements may be made on an occasional basis and not necessarily dependent upon the publication of a report. They will be subject to the same embargoes where set
- With any report issued, the opportunity is available for members of the press to request factual clarification, by email, of points contained therein
- Any comments made additional to any reports, will be included within any press release(s) as issued by the Jersey Audit Office, in the form of a quotation by the C&AG. These comments will be available for publication; but there will not be any supplementary live or pre-recorded interviews offered or undertaken by either Karen McConnell or the employees of the Jersey Audit Office
- The C&AG is prepared, on an occasional basis, to provide articles for publication in the local media, following a specific request and consideration of the relevant topic
- All public information, including press releases and reports, are accessible on the Jersey Audit Office website at www.jerseyauditoffice.je

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