

# Office of the Chief Executive

Chief of Staff

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Ms Lynn Pamment  
Comptroller & Auditor General  
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30 July 2020

Dear Lynn

## Consultation on C&AG Revised Code of Practice

Thank you for the opportunity to review and comment on the Revised Code of Audit Practice. We recognise the importance of this document in shaping the work of the Comptroller and Auditor General and our external auditors and welcome the comprehensive consultation process that you have carried out in order to receive views on its content.

I understood that some officers, Commissioners and other bodies may have provided separate feedback to your office with regard to this matter and we look forward to seeing this reflected following the completion of the consultation process. Within Government I have consulted a number of key stakeholders and interested parties in developing our combined response. This is attached for your consideration.

If you have any questions or queries regarding any of the points raised then please do not hesitate to contact me.

Kind regards

A handwritten signature in black ink, appearing to read "Catherine Madden".

Catherine Madden

Chief of Staff

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A black rectangular box with a white 'X' inside, used to redact information.

# Appendix I - Code of Audit Practice

Section	Question Number	Question	Draft comments
General	1	Do you agree with the overall structure and style of the draft Code? If not, what changes would you propose?	The Code feels well written and understandable.
1. Introduction	2	Do you agree with the explanation of the wider context of arrangements for public audit in Jersey? If not, why not?	Not sure about the scope of “public audit” and “public money” (in the introduction). Many would expect Parishes to be included. The C&AG Law includes definitions of the wider “public” that are no longer in the Public Finances Law (“States aided independent bodies” and “independently audited States bodies”). Perhaps there would be benefit in a discussion to agree how far “public money” extends.
	3	Do you agree with the inclusion of a provision allowing the C&AG to issue guidance to the auditors whom they appoint and placing an obligation on the auditors to have regard to such guidance? If not, why not?	Agree in principle with the C&AG’s ability to issue guidance to auditors, but it might be helpful for the scope to expand on the potential scope of this guidance and how it sits alongside professional accounting and auditing standards.
	4	Do you have any other observations on Section 1?	No.
2. General principles	5	Do you agree with the explicit adoption of the principles of public audit developed by the Public Audit Forum? If not, why not?	Agreed.

	6	Do you agree with the inclusion of an Audit Quality Framework? If not, why not?	Agreed - suggest that in relation to audit quality include who this is reported to, we are assuming this will be done through the C&AG annual report.
	7	Do you have any other observations on Section 2?	See comments in (2) on scope of "public audit".
3. Work on the financial statements	8	Do you agree with the provisions relating to: <ul style="list-style-type: none"> <li>liaison between auditors appointed by the C&amp;AG and the C&amp;AG;</li> <li>provision of information to the C&amp;AG; and</li> <li>co-operation between auditors appointed by the C&amp;AG?</li> </ul> If not, why not?	<p>Agreed.</p> <p>Agreed.</p> <p>Agreed.</p>
	9	Do you agree with the expanded explanation of opinion on regularity issued by the auditor of the financial statements of the States of Jersey? If not, why not?	<p>It is understood the regularity opinion is issued with the accounts, (and therefore in the public domain following PN10 from the NAO). Should there be enhanced reporting would this be in the public domain, assume so, but suggest this is stated.</p> <p>There might be benefit in discussing the scope of "Parliamentary Authorities" to prevent unnecessary disagreement with auditors. The Code states that "Parliamentary Authorities" includes the "adopted Government Plan". That Plan is very detailed. It would be helpful to share an understanding of interpretation of what is "regular" and otherwise in the context of the Government Plan.</p>

	10	Do you agree with the expanded provisions relating to reporting on weaknesses in internal control and compliance with International Financial Reporting Standards by the auditor appointed to audit the financial statements of the States of Jersey? If not, why not?	Agreed subject to following comment. Will reporting on weaknesses in internal control be public? Again, shared understanding of reporting at the outset is important. Is one example of a direction not being followed a reportable weakness? Are a number of examples, but all with exemptions in advance, a weakness?
	11	Do you agree with the expanded provisions relating to the work the C&AG undertakes before issuing a certificate on the financial statements of the States of Jersey and in considering whether or not to exercise their statutory right to add a note to the financial statements? If not, why not?	What is the process in the event of disagreement between the audited body and the C&AG over a proposal to add a note? Can a dissenting view be included?
	12	Do you have any other observations on Section 3?	An increase in the level of public reporting on regularity and weaknesses in internal control has the potential to increase the volume of discussion over findings. Hence the importance of a clear shared understanding of interpretation.
4. Work on internal control, corporate governance and economy, efficiency and effectiveness	13	Do you have any observations on Section 4?	See comments in (2) on scope of "public audit". The level of funding and nature of relationship with other bodies may affect the extent to which the States can influence them.  This needs to be proportionate to the scale of the body.
5. Follow-up of previous audit recommendations	14	Do you agree with the retention of a separate section on the follow-up of previous audit recommendations? If not, why not?	Agreed. It is key for there to be corporate learning on previous recommendations. Having this as a separate section

			will highlight this as a key area of focus.
	15	Do you have any other observations on Section 5?	No.
6. Reporting	16	Do you agree with the inclusion of provisions relating to reporting on audit quality and any instances of material non-compliance with the Code? If not, why not?	Agreed.
	17	Do you have any other observations on Section 6?	What is the process in the event of disagreement between the audited body and the C&AG over the content of reports? Can a dissenting view be included? Scrutiny Panels and the PAC publish the responses to their reports – the C&AG does not. Is there a rationale for that? A visitor to <a href="http://jerseyauditoffice.je">jerseyauditoffice.je</a> or a reader of the C&AG's media releases may leave with a poor impression of the States without hearing plans for improvement or progress. Perhaps this will be addressed through section 5.
7. Liaison	18	Do you agree with the inclusion of sub-sections dealing with liaison with the Chief Internal Auditor of the States of Jersey and the Attorney General? If not, why not?	<p>Agreed. The inclusion of the sub section on the CIA and Attorney General is helpful – this should also refer to the role of the C&amp;AG in reviewing the quality and independence of the IA function.</p> <p>Under the PFL the CIA has to provide all audit reports in a timely manner to the C&amp;AG and it would be expected for the CIA to speak freely with the C&amp;AG.</p> <p>There may be legal matters which are outside the</p>

			C&AG remit and the AG may choose not to discuss with the C&AG for safeguarding reasons, GDPR or as the matter is a police matter.
	19	Do you have any other observations on Section 7?	Should the Code refer to requirements to report suspected fraud to the C&AG?
8. Other matters	20	Do you agree with the inclusion of a sub-section dealing with the exercise of the C&AG's wide-ranging statutory powers to obtain information from third parties? If not, why not?	<p>The section is welcomed. The ability to require persons to provide information and records was an issue for the Scrutiny Panel when developing the Public Finances law. Clarification of the application of the Freedom of Information (Jersey) Law 2011 to requests from the C&amp;AG would be helpful, and would address many of the points above.</p> <p>It may be however that for legitimate reasons that a third party did not supply information for example GDPR for Health or Education, if it would compromise a police investigation, commercially sensitive information or if at stage of tender process it was not requested.</p>
	21	Do you agree with the inclusion of a sub-section on data and records, dealing with the C&AG's duties under the Data Protection (Jersey) Law 2018 and the Public Records (Jersey) Law 2002? If not, why not?	Agreed. This is helpful.
	22	Do you agree with the expansion of the provisions relating to the appointment of auditors of financial statements and the application of ethical standards to those auditors? If not, why not?	Yes we agree with the expansion of the scope and the alignment with Ethical Standards.

			<p>Paragraphs 106-108 on acceptance of non-audit work – should the Code put a limit on the proportion of fees that auditors could receive from an audited body that related to non-audit work?</p> <p>New requirements have been issued by the ICAEW in July 2020 in relation to audit v non audit work which should be reflected upon.</p>
	23	Do you agree with the inclusion of a sub-section dealing with the delegation of functions by the C&AG? If not, why not?	<p>Would this extend to ALOs such as JT or Jersey Water? There needs to be clarity in this respect.</p>
	24	Do you have any other observations on Section 8?	<p>As above, consultation with the ALOs would need to be undertaken as this appointment would be made by their Board or Audit Committee.</p> <p>There are VFM arguments for this to be potentially the same auditor whilst maintaining respect for their independence.</p> <p>Suggest views to be taken from the organisations as part of the C&amp;AG consultation.</p>

## Part B: Possible legislative changes

Entities to which the C&AG appoints auditors	25	Do you agree that the C&AG be given the power to appoint auditors of financial statements of all bodies established or controlled by the States (other than companies)? If not, why not?	Agreed
	26	Do you agree that the existing arrangements for the preparation of the financial statements of the Jersey Dental Scheme should be codified in legislation? If not, why not?	Agreed
	27	Do you agree that there should be a consistent statutory framework relating to the responsibilities and powers of auditors appointed by the C&AG? If not, why not?	Agreed
Reporting by entities to which the C&AG appoints auditors	28	Do you agree that there should be a consistent framework for the production of Annual Reports and Accounts for public bodies? If not, why not?	Agreed. See comments in (2) on scope of “public audit”.  It is agreed there should be a consistency (within the requirements of Accounting standards and IFRS).
Governance of the Office of the C&AG	29	Do you agree that there should be a statutory role for the Board of Governance in any consideration of revocation of the appointment of the C&AG? If not, why not?	Agreed.
	30	Do you agree that there should be a statutory limitation on the liability of independent members of the Board of Governance or equivalent indemnity? If not, why not?	Agreed.
	31	Do you agree that there should be: <ul style="list-style-type: none"> <li>an increase in the maximum number of independent members of the Board Governance to four; and/or</li> </ul>	Agreed.



		<p>Public Audit in Jersey – CONSULTATION – May 2020</p> <ul style="list-style-type: none"> <li>• provision for a reduction in the quorum of the Board of Governance in limited circumstances to secure its continued operation?</li> </ul>	
	32	<p>Are there any other areas in which you believe that public audit legislation should be amended? If so, what areas and why?</p>	<p>Are there any arrangements to report in the public interest as in the UK?</p>

