



OFFICE OF THE COMPTROLLER AND AUDITOR
GENERAL

**PUBLIC AUDIT IN JERSEY:
SUMMARY OF CONSULTATION RESPONSES
NOVEMBER 2020**

Contents

Foreword	2
Part A: Code of Audit Practice	4
General	4
Section 1: Introduction	5
Section 2: General principles	8
Section 3: Work on the financial statements	11
Section 4: Work on corporate governance, internal control and economy, efficiency and effectiveness	19
Section 5: Follow-up of previous audit recommendations	21
Section 6: Reporting	22
Section 7: Liaison	23
Section 8: Other matters	26
Part B: Possible legislative changes	33
Entities to which the C&AG appoints auditors	33
Reporting by entities to which the C&AG appoints auditors	39
Governance of the Office of the C&AG	41
Other matters	44
Part C: Overarching point	46
Appendix 1	48
Responses to the Consultation	48
Appendix 2	49
Statutory provisions relating to appointment of auditors	49
Appendix 3	52
Changes to the draft Code of Audit Practice following consideration of consultation responses	52

Foreword

The Jersey Audit Office provides independent assurance to the people of Jersey on the extent to which public money is spent economically, efficiently and effectively and on whether the controls and governance arrangements in place within public bodies demonstrate value for money.

In May 2020 I launched the first ever public consultation by the Jersey Audit Office. The consultation covered two interconnected areas that together underpin the work of the Jersey Audit Office:

- a proposed revised Code of Audit Practice (the Code), prepared under Article 18 of the Comptroller and Auditor General (Jersey) Law 2014. The Code sets out how I propose to discharge my functions; and
- potential revisions to the statutory framework for public audit in Jersey. I recognise that decisions on whether any changes are made are for the Government of Jersey and the States Assembly. However, as the statutory framework and the Code are so closely related, I extended my consultation to seek views on possible changes to legislation.

I was pleased to receive 11 responses to the consultation from interested parties including the Government of Jersey, public bodies and the States Assembly. Two of the respondents asked that their responses were treated as confidential; the other nine did not do so and are listed in Appendix 1. Other than where respondents asked that their responses were treated as confidential, I have today published the responses on the Jersey Audit Office website.

I would like to thank all the respondents for their interest and insight. I have considered all of them carefully.

In light of the responses received and my consideration, I have:

- made amendments from the draft Code and today issued a finalised revised Code and, alongside it, an Explanatory Note explaining the significant changes from the existing Code; and
- revised my views on potential changes in public audit legislation.

This report contains three parts:

- in Part A I consider the responses to the consultation questions on the draft Code and outline my response to the views expressed, including amendments made in finalising the Code;
- in Part B, I set out the responses to the consultation questions on potential changes to public audit law and my consideration of those responses; and
- In Part C, I consider one overarching point raised about the scope of the consultation.

Some responses did not align answers directly to questions in the consultation document. In those cases I have used my judgement in determining to which consultation question the responses relate.

I am confident that the revised Code presents a sound basis for public audit in Jersey.

Having considered the responses received on potential changes in public audit legislation, I have decided to carry out further work to develop a ‘Thinkpiece’ highlighting areas for potential changes in public audit legislation. I expect to issue this Thinkpiece before the end of 2020.

Lynn Pamment
Comptroller and Auditor General

20 November 2020

Part A: Code of Audit Practice

General

Q1. Do you agree with the overall structure and style of the draft Code?
If not, what changes would you propose?

1. I proposed retention of the overall structure in the previous version of the Code, summarising overall responsibilities and explaining how those responsibilities are discharged but, at the same time:
 - including clearer statements of the responsibilities of public sector bodies; and
 - covering some statutory provisions not addressed in the previous Code.
2. Of the eight responses received to this question, seven agreed with the overall style and structure of the draft Code.
3. One respondent suggested:
 - highlighting the areas where the scope of the Code had been extended;
 - defining the terms 'duty' and 'power'; and
 - the retention of some provisions of the existing Code.
4. I have carefully considered the suggestions. I have decided to:
 - publish an Explanatory Note alongside the new Code highlighting the key changes from the existing Code; and
 - include in the Glossary at Appendix 5 of the new Code both 'duty' and 'power'.
5. I consider the retention of specific provisions of the existing Code under individual questions in the remainder of Part A.

Changes to the draft Code made following consideration of the responses to the consultation

- Inclusion in the Glossary at Appendix 5 of 'duty' and 'power'.

Section 1: Introduction

Q2. Do you agree with the explanation of the wider context of arrangements for public audit in Jersey? If not, why not?

6. I included in the draft Code an explanation of the wider context of public audit in Jersey within which the Code sits.
7. Of the eight responses received to this question, seven agreed with the overall style and structure of the draft Code.
8. One respondent suggested that the terms 'public audit' and 'public money' should be discussed as the scope of the terms may not be understood: my statutory functions do not currently extend to parishes.
9. I have carefully considered the suggestion. I have decided to expand Section 1 to refer to the different types of entity specified in legislation to which my functions relate.

Q3. Do you agree with the inclusion of a provision allowing the Comptroller and Auditor General (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?

10. I included within the draft Code a provision that the C&AG might issue supplementary guidance to auditors they appoint and that auditors appointed by the C&AG should have regard to such guidance. This provides a

mechanism for promoting consistency of approach, if necessary, without the need for the revision of the Code

11. I received seven responses to this question. All were supportive of the proposal.
12. Two respondents made further observations, suggesting that:
 - the Code should indicate the scope of the supplementary guidance that might be issued;
 - the Code should explain the relationship of the supplementary guidance to auditing and accounting standards; and
 - there should be a mechanism for periodic review of the supplementary guidance to identify whether it should be included in subsequent versions of the Code.
13. I have carefully considered these suggestions. I have decided to include in the Code:
 - a general, but non-exhaustive, description of the scope of supplementary guidance; and
 - a requirement for the C&AG regularly to review the supplementary guidance issued.
14. I have not amended the Code to explain the relationship with auditing and accounting standards:
 - the Code already unambiguously requires auditors to comply with auditing standards; and
 - accounting standards prescribed for or adopted by preparers of financial statements bind preparers. Auditing standards require auditors of financial statements to undertake their work in the context of the applicable accounting standards.

- Q4. Do you have any other observations on Section 1?
15. Two respondees made further observations on Section 1 of the draft Code:
- one respondee highlighted the potential costs of auditors complying with supplementary guidance issued by the C&AG, mindful that the audit fees charged fell on individual independently audited States bodies. They suggested that any supplementary guidance issued by the C&AG should be subject to the consent of individual independently audited States bodies or that any additional costs should be funded by the States of Jersey; and
 - one respondee questioned the statutory powers available to enforce the requirements of the Code on auditors appointed by the C&AG.
16. I have carefully considered the observations made. It would not be consistent with the C&AG's statutory independence for the C&AG to obtain the consent of a body to which they appoint an auditor prior to issuing supplementary guidance. The C&AG cannot bind the States of Jersey to indemnify costs attributable to supplementary guidance that they issue. However, in exercising their functions, including issuing guidance supplementary to the Code of Audit Practice, the C&AG must be aware of costs as well as the benefits. In Section 2 there is already a reference to undertaking audit work as efficiently as possible. However, I have decided to include in Section 2, under the heading of 'Wider scope of public audit', a clear statement of principle that the C&AG should have regard to costs as well as benefits in the discharge of their functions.
17. Following further consideration, I am satisfied that I have the power to require compliance with the provisions of the Code by auditors appointed by the C&AG. For the avoidance of any doubt I have specifically stated in the Code that its provisions apply to auditors appointed by the C&AG.

Changes to the draft Code made following consideration of the responses to the consultation

- Inclusion of reference to the different types of body to which the C&AG's functions relate
- Inclusion of a general, non-exhaustive description of the scope of supplementary guidance issued by the C&AG
- Inclusion of a requirement for the C&AG regularly to review supplementary guidance issued
- Inclusion in Section 2, under 'Wider scope of public audit', of a requirement to consider costs as well as benefits in the discharge of the C&AG's functions
- Inclusion in Section 1, under 'Application of this Code and Supplementary Guidance', of a clear statement that the Code applies to auditors appointed by the C&AG.

Section 2: General principles

Q5. Do you agree with the explicit adoption of the principles of public audit developed by the Public Audit Forum? If not, why not?

18. In the draft Code I re-expressed the overall principles of public audit to align them with the principles of public audit developed by the Public Audit Forum. This Forum brings together the public audit institutions of the United Kingdom and its devolved administrations.

19. I received eight responses to this question and all were supportive of the proposal.

20. One respondent suggested retention of two provisions of the current Code:

- reference to issuing press releases and to public reporting except where there is a compelling reason to the contrary; and
- in the context of undertaking audit work as efficiently as possible, a reference to reliance on internal audit work where possible.

21. I have carefully considered the suggestions made.

22. I have decided not to include specific provisions about:

- issuing press releases. In my view press releases, although helpful in drawing attention to the results of work undertaken, are not a central component of the way in which I discharge my functions; and
- public reporting other than where there is a compelling reason to the contrary. The applicable legislation provides for public reporting as the C&AG's reports are submitted to the Greffier of the States who has a duty to lay them before the States Assembly.

23. I have decided not to include specific reference to reliance on the work of internal audit. In the context of an audit of financial statements, auditing standards set out the circumstances in which such reliance may be possible and the scope and nature of procedures that an external auditor must undertake in order to place reliance on the work of internal audit. It may therefore not be possible or be inefficient for an external auditor to seek to place such reliance. None of this detracts from the overall principle of undertaking audit work as effectively as possible that is clearly set out in the Code.

Q6. Do you agree with the inclusion of an Audit Quality Framework? If not, why not?

24. In the draft Code I specifically addressed the maintenance of audit quality, including through inclusion of an Audit Quality Framework at Appendix 3.

25. Of the eight responses received to this question, six agreed with the inclusion of the Audit Quality Framework.
26. Three respondees made suggestions. These related to:
- clarifying, in the Code or supplementary guidance, the type of information that the C&AG would seek from audit firms to facilitate the evaluation of audit quality;
 - being clear about the mechanisms for reporting the evaluation of audit quality; and
 - the statutory powers of the C&AG to terminate audit appointments.
27. I have considered these suggestions carefully. I have decided:
- not to amend the Code to explain the information that the C&AG would seek from audit firms to facilitate the evaluation of audit quality. I would, however, envisage that the information requested would be set out in supplementary guidance and that audit firms would be consulted before such guidance is finalised; and
 - not to amend Section 2 of the Code to refer to mechanisms for reporting the evaluation of audit quality. Section 6 of the draft Code already required reporting of certain matters in respect of the audit quality framework and any instances of material non-compliance with the Code. Those provisions are retained in the final version of the Code.
28. However, I have identified that there is a gap in regulatory oversight of the entities to which I appoint auditors of financial statements: such audits are not obviously subject to inspection by statutory or professional bodies in either Jersey or the United Kingdom. I have therefore enhanced the Audit Quality Framework to allow the C&AG to review, or appoint a person or persons to review, the quality of audit work undertaken by auditors appointed by the C&AG, including through review of audit working papers.

29. Having carefully considered the observations made, I am satisfied that the C&AG has the statutory power to terminate audit appointments. Therefore, I decided that no change to the draft Code is required in this respect.

Q7. Do you have any other observations on Section 2?

30. One respondent made another observation on Section 2. They suggested that the term 'regularity' should be defined in the Code.

31. I have considered this suggestion carefully. The term is already defined in the Glossary at Appendix 5 and I do not believe that it is necessary to repeat this definition in Section 2.

Changes to the draft Code made following consideration of the responses to the consultation

- Enhancement of the Audit Quality Framework to permit the C&AG to review, or to appoint a person or persons to review, the quality of audit work undertaken by auditors appointed by the C&AG, including through review of audit working papers.

Section 3: Work on the financial statements

Q8. Do you agree with the provisions relating to:

- liaison between auditors appointed by the C&AG and the C&AG;
- provision of information to the C&AG; and
- co-operation between auditors appointed by the C&AG?

If not, why not?

32. To facilitate effective audit of the bodies to which I appoint auditors, I included in the draft Code explicit provisions relating to:
- liaison between auditors appointed by the C&AG and the C&AG,
 - provision of information to the C&AG; and
 - co-operation between auditors appointed by the C&AG;
33. Of the seven responses received to this question, six agreed with the inclusion of the provisions.
34. One respondent raised concerns that the wording of the draft Code on disclosure of information to the C&AG by auditors appointed by the C&AG might be inconsistent with their professional obligations. I accept that there may be professional restrictions on such disclosure. I have therefore decided to amend the Code to make clear that requirements to disclose information are subject to any statutory or professional constraints.
35. Two other respondents made observations. These related to:
- the potential additional audit fees arising from these provisions. One respondent suggested that there should be prior approval of such fees from an independently audited States body; and
 - the absence of a reference to the Government of Jersey's Risk and Audit Committee.
36. I have considered the observations made but have decided not to amend the Code:
- I believe that these provisions of the Code covered by this question will facilitate effective public audit and I do not anticipate that they will have any material impact on audit fees. For the reasons given in paragraph 16 above, it would be inappropriate that any costs associated with such provisions were subject to agreement by the body; and

- there is appropriate reference to liaison with the Government of Jersey's Risk and Audit Committee in Section 7 of the draft Code.

Q9. 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?

37. The existing Code placed an obligation on the auditor of the financial statements of the States of Jersey to give an opinion on the regularity of income and expenditure. The draft Code expanded the explanation of the regularity opinion, including interpretations of the relevant professional guidance in the context of the States of Jersey.
38. Of the six responses received to this question, four agreed with the inclusion of the provisions.
39. Three respondees made observations. These related to:
- the application of the provisions in the context of entities other than the States of Jersey;
 - including a more detailed interpretation of regularity in the context of the States of Jersey, in particular of the Government Plan as a 'parliamentary authority'; and
 - including details of how the regularity opinion is issued.
40. I have considered these observations carefully.
41. In respect of the first I have decided that no amendment to the provisions contained in the draft Code is necessary: the requirement for an opinion on regularity only applies to the States of Jersey and the sub-section specifically states that it only applies to the audit of the financial statements of the States of Jersey.

42. In respect of the other two observations, I have decided to make amendments to the provisions contained in the draft Code:
- I have interpreted the concept of ‘parliamentary authorities’ includes the amounts specified in Articles 9(2) and 9(3) of the Public Finances (Jersey) Law 2019 (‘the 2019 Law’) but not the supporting information required by Article 9(4) of the 2019 Law. However, I have not amended the provisions contained in the draft Code to include a comprehensive definition of the concept of regularity. The draft Code required the auditor of the States of Jersey’s accounts to have regard to the authoritative professional pronouncement on regularity - Part 2: The Audit of Regularity of Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom published by the Public Audit Forum. I do not believe it necessary or helpful to interpret that pronouncement further; and
 - I have clarified in the finalised version of the Code that the regularity opinion is issued as part of the Independent Auditor’s Report on the financial statements of the States of Jersey.

Q10. 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?

43. To reflect existing practice, the draft Code 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.
44. Of the six responses received to this question, five agreed with the inclusion of these provisions.

45. Two respondees made observations. The respondees suggested:
- including an explanation of what constitutes a weakness in internal control in the Code; and
 - avoiding hard wiring reporting on compliance with International Financial Reporting Standards into the Code. The respondee suggested that, while such reporting is a current contractual requirement, it may not be necessary as financial reporting evolves.
46. I have considered those observations carefully.
47. The concept of a material weakness in internal control derives directly from auditing standards and I do not believe that further interpretation is either necessary or helpful.
48. Reporting on compliance with International Financial Reporting Standards is an additional requirement of the current contract with the auditor appointed to audit the financial statements of the States of Jersey. However, in the event of further developments in financial reporting by the States of Jersey, the C&AG may determine that continuation of such reporting is no longer warranted. I have decided to amend the Code to replace the specific reference to reporting on compliance with International Financial Reporting Standards with a general provision about undertaking such additional reporting as specified by the C&AG.

Q11. 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?

49. The draft Code retained a requirement for the C&AG to issue a certificate on the financial statements of the States of Jersey, including a statement on whether or not they had exercised the statutory right to add a note to the financial statements. The draft Code included details of procedures that should be performed before the certificate is issued and deciding whether or not to add a note.
50. Of the six responses received to this question, five agreed with the inclusion of the provisions.
51. Two respondents made observations. They observed that:
- the Code should define ‘those charged with governance’ in the context of the States of Jersey;
 - the Code made no reference to the attendance of the C&AG or their Deputy at meetings of the Government of Jersey’s Risk and Audit Committee; and
 - the procedures to be followed in the case of a disagreement between the C&AG and management were not set out clearly, including the scope for inclusion of a dissenting view.
52. I have considered these observations carefully. I have decided not to make any amendments to the provisions contained in the draft Code:
- the concept of ‘Those Charged with Governance’ stems from auditing standards. Determination of who constitute ‘those charged with governance’ is dependent on structures and accountabilities that may change from time to time. The auditor of the financial statements of the States of Jersey must make their own determination of who constitutes Those Charged with Governance in the context of applicable standards and the structures and accountabilities in place. As structures and accountabilities are subject to change in my view it is inappropriate to specify who constitute ‘Those Charged with Governance’ in the Code;

- the interactions of the C&AG and auditor of the financial statements of the States of Jersey with the Government of Jersey's Risk and Audit Committee are covered in Section 7 of the draft Code; and
- the legislation adopted by the States Assembly does not provide for inclusion of a dissenting view and such reporting is not a generally accepted component of reporting by auditors. However, whilst recognising that the judgements in my reports are mine, I always consult on factual accuracy. Furthermore, I would anticipate that in the event of the C&AG adding a note to the financial statements, the Public Accounts Committee might seek the observations of the Principal Accountable Officer and/or the Treasurer of the States. Any such observations would be laid before the States Assembly and publicly available.

Q12. Do you have any other observations on Section 3?

53. Two respondees made other observations on Section 3. They:
- expressed support for the external auditor reporting on the consistency of the annual report with the financial statements but questioned whether this would have cost implications; and
 - emphasised the importance of a clear, shared understanding of the concepts of regularity and what constitutes a weakness in internal control.
54. I have considered these observations carefully.
55. In respect of the first, I note that reporting on consistency of an annual report with the financial statements is, in the case of an annual report issued with the financial statements, a current responsibility stemming from auditing standards.
56. In respect of the second, I have decided to make no further amendments to the provisions of the draft Code. The concepts of regularity and weaknesses in internal control stem from professional auditing pronouncements referred to

in the Code. Furthermore, in response to an observation under Question 9, I have expanded the interpretation of regularity in the context of the Government Plan.

57. The responses to the consultation also led me to undertake a wider review of the application of auditing and ethical standards. These standards apply to all audits of financial statements but in a limited number of cases the provisions vary for different types of entity.
58. I have identified that some of the entities to which the C&AG appoints auditors could be treated as 'small entities' for the purposes of the Ethical Standard issued by the Financial Reporting Council. The Ethical Standard permits the auditors of such entities to adopt less rigorous requirements in some areas, particularly the provision of non-audit services to non-audit clients.
59. In the context of the entities to which the C&AG appoints auditors, the maintenance of actual and perceived auditor independence is vital. I have therefore decided to amend the draft Code to preclude reliance on the provisions of the Ethical Standard available for the audit of small entities.

Changes to the draft Code made following consideration of the responses to the consultation

- Clarification that the requirements for liaison with auditors appointed by the C&AG and the C&AG, provision of information to the C&AG and co-operation between auditors appointed by the C&AG are subject to statutory and professional constraints
- Interpretation of 'parliamentary authorities' to include the amounts specified in Articles 9(2) and 9(3) of the Public Finances (Jersey) Law 2019 ('the 2019 Law') but not the supporting information required by Article 9(4) of the 2019 Law

- Clarification that the regularity opinion on the financial statements of the States of Jersey is included within the Independent Auditor's Report
- Replacement of the requirement for the auditor of the financial statements of the States of Jersey to report on compliance with International Financial Reporting Standards with a requirement for them to undertake such supplementary reporting specified by the C&AG
- Prohibition on the adoption of the alternative provisions available for audits of small entities contained in the Ethical Standard issued by the Financial Reporting Council

Section 4: Work on corporate governance, internal control and economy, efficiency and effectiveness

Q13. Do you have any observations on Section 4?

60. Other than in including clear statements of the responsibilities of public sector bodies, section 4 of the draft Code was little changed from the previous Code.
61. Three respondents made observations on Section 4. They:
- expressed support for the inclusion of explicit reference to the achievement of financial targets and other aspects of sound financial management;
 - emphasised the existence of other mechanisms for evaluating the effectiveness of the work of the Commissioner for Children and Young People;
 - reflected that the level of funding and nature of relationship may affect the extent to which the States may influence a body; and
 - expressed a preference for proportionality of approach in the context of the scale of public bodies.

62. I have considered these observations carefully.
63. I welcome the support for inclusion of explicit reference to the achievement of financial targets and other aspects of sound financial management.
64. I note the observations of the Commissioner for Children and Young People about other mechanisms for evaluating the economy, efficiency and effectiveness of her Office, questioning the ability of an appointed auditor to make such an assessment. I would emphasise that the function in relation to economy, efficiency and effectiveness is an existing statutory function of the C&AG under Article 11 of the 2014 Law rather than a function of the auditor of the Office's financial statements. However, I recognise that, in a number of areas of public service provision, there is scrutiny by independent inspectorates or authoritative external bodies. I have therefore made a change to the sub-section on planning of audit work to state that the C&AG should, in preparing their annual audit plan, have regard to the scope, nature, timing and results of the work of others.
65. In respect of the other two observations I have decided not to make changes to the provisions contained in the draft Code:
- the C&AG has statutory powers to report on independently audited States bodies (under Article 13 of the 2014 Law) and States aided independent bodies (under Article 14 of the 2014 Law). In both cases the C&AG may report on 'actions needed to bring about improvement, where improvement is needed'. These powers exist regardless of the level of control or influence exerted by the States Assembly or Government of Jersey. In practical terms, recommendations in reports are, where appropriate, addressed to different parties, recognising their respective roles and responsibilities; and
 - I recognise that public audit should take into account the cost as well as the benefits of public audit. Having considered a response to Question 3 above, I have agreed to include in Section 2, under 'Wider scope of public

audit', a requirement to consider costs as well as benefits in the discharge of the C&AG's functions. I do not believe that any further change is necessary.

Changes to the draft Code made following consideration of the responses to the consultation

- Expansion of provisions relating to planning audit work to state that the C&AG should take into account the scope, nature, timing and results of other work, including that by inspectorate and authoritative external bodies

Section 5: Follow-up of previous audit recommendations

Q14. Do you agree with the retention of a separate section on the follow-up of previous audit recommendations? If not, why not?

66. The draft Code retains a separate section on follow-up of previous audit recommendations. This reflects the importance of follow-up as a key means of driving constructive and positive change.
67. All eight respondees to this question supported retention of a separate section.

Q15. Do you have any other observations on Section 5?

68. No respondees made any further observations on Section 5 of the draft Code.

Section 6: Reporting

Q16. 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?

69. To promote accountability for audit quality, the draft Code includes specific provisions relating to inclusion in the Office's Annual Report of information on audit quality and any instances of material non-compliance with the Code.
70. All eight respondents to this question agreed with the inclusion of the provisions.
71. One respondent referred to the exclusion of specific provisions contained in the current Code requiring inclusion in the Office's Annual Report of information about how the Office had been run.
72. I have considered the observation made carefully.
73. I had sought to future proof the Code by making reference to 'recognised good practice for the preparation of annual reports' rather than replicating specific provisions. The Office currently prepares an Annual Report that reflects the requirements of the UK Financial Reporting Manual published by H M Treasury, adapted for the circumstances of the Office. However, to give a more specific indication of the scope of the Annual Report, I have amended the provision in the finalised version of the Code to refer to reporting on both performance and accountability, reflecting the two key components of the reporting requirement of the UK Financial Reporting Manual.

Q17. Do you have any other observations on Section 6?

74. One respondent made another observation on Section 6. They questioned the mechanisms for dealing with a disagreement between the C&AG and a public body about the content of a report and the consequences of the C&AG

publishing a report or press release without details of plans for improvement or progress.

75. I have considered the observation made carefully.
76. I have concluded that no amendment is necessary or appropriate. I considered a similar observation in response to Question 11 above. Again, I note that the legislation adopted by the States Assembly does not provide for inclusion of a dissenting view and such reporting is not a generally accepted component of reporting by auditors. However, whilst recognising that the judgements in my reports are mine, I always consult on factual accuracy. Furthermore, normally the Public Accounts Committee would seek the observations of the Principal Accountable Officer, Accountable Officer and/or the Treasurer of the States on any findings and recommendations. Any such observations would be laid before the States Assembly and publicly available.

Changes to the draft Code made following consideration of the responses to the consultation

- Inclusion of a requirement for the Annual Report of the Office of the C&AG to address both performance and accountability

Section 7: Liaison

Q18. 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?

77. The draft Code includes specific provisions relating to the liaison with the Chief Internal Auditor of the States of Jersey and the Attorney General.

78. Of the seven responses received to this question, six agreed with the inclusion of the provisions. Another respondent made an observation without expressing overall support for or opposition to the inclusion of the sub-sections.
79. Two respondents made observations. They observed that:
- the Code did not make reference to liaison with the Government of Jersey's Director of Risk and Audit to whom the Chief Internal Auditor reports;
 - the Code did not make reference to the role of the C&AG in reviewing the internal audit function; and
 - there would be circumstances in which the Attorney General would choose not to disclose matters to the C&AG.
80. I have considered these observations carefully. I have decided not to make amendments to the provisions included in the draft Code:
- by virtue of the Public Finances (Jersey) Law 2019, the post of Chief Internal Auditor is on a statutory footing whereas that of the Government of Jersey's Director of Risk and Audit is not;
 - the statutory functions of the C&AG and the responsibilities of public bodies in relation to internal audit are already referred to in Section 4 of the draft Code; and
 - the focus is on the statutory power of the C&AG to seek advice from the Attorney General under Article 17(3). Whether and how the Attorney General might respond to requests for advice is a matter for the Attorney General alone and outside the scope of the Code.

Q19. Do you have any other observations on Section 7?

81. Three respondents made further observations on Section 7. They suggested:

- improved drafting of paragraph 74;
 - that the reference to Ministers in paragraph 75 should be replaced by a reference to the Minister for Treasury and Resources;
 - that, in the context of the States of Jersey, the Code should define ‘those charged with governance’; and
 - inclusion of reference to a requirement to report suspected fraud to the C&AG.
82. I have considered the observations made carefully.
83. I have decided to:
- improve the drafting of the final paragraph relating to liaison with the Public Accounts Committee (and the corresponding paragraphs in the sub-sections on States of Jersey Risk and Audit Committee and Those Charged with Governance of other entities); and
 - clarify the provisions of the Code relating to the States of Jersey Risk and Audit Committee to make clear that it advises officers, the Minister for Treasury and Resources and, in extremis, the Council of Ministers.
84. I have decided not to make changes to the provisions of the draft Code in respect of the two other observations made:
- the concept of those charged with governance stems from auditing standards. Determination of who constitute ‘those charged with governance’ is dependent on structures and accountabilities that may change from time to time. The auditor of the financial statements of the States of Jersey must make their own determination of who constitutes those charged with governance in the context of applicable standards and the structures and accountabilities in place. As structures and accountabilities are subject to change in my view it is inappropriate to specify who constitute ‘those charged with governance’ in the Code; and

- the purpose of the Code is to set out how the C&AG and auditors appointed by the C&AG discharge their statutory functions. There is no statutory duty to report actual or suspected frauds to the C&AG. If any such actual or suspected frauds are reported to the C&AG, the C&AG has no specific statutory functions in respect of them and merely considers them in the context of the discharge of their statutory functions that are considered in the Code.

Changes to the draft Code made following consideration of the responses to the consultation

- Improved drafting to the final paragraphs of the sub-sections relating to the Public Accounts Committee, States of Jersey Risk and Audit Committee and those charged with governance of other entities

Section 8: Other matters

Q20. 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?

85. The draft Code included a new sub-section dealing with the exercise of the C&AG's wide-ranging statutory powers to obtain information from third parties. The draft Code sub-section made a clear statement of how the C&AG would, if necessary, exercise those powers in a professional way.
86. All seven responses to this question agreed with the inclusion of the provisions.
87. One respondee made observations. They suggested that:

- in the context of disclosure of information to the C&AG, clarification on whether the Freedom of Information (Jersey) Law 2011 applied to the C&AG would be welcome; and
- there may be legitimate reasons, including the commercial sensitivity of information, for not disclosing information to the C&AG.

88. I have considered the observations made carefully. I have decided to make no changes to the provisions contained in the draft Code:

- I am advised that the C&AG is not a scheduled public authority within the meaning of Article 1 of the Freedom of Information (Jersey) Law 2011 ('the 2011 Law'). However, as there is no statutory function of the C&AG under the 2011 Law, it would be inappropriate to reflect this in the Code; and
- I am advised that Article 21 of the 2014 Law gives the C&AG wide powers of access to information relevant to their function. However, the purpose of the Code is to explain how the C&AG exercises their statutory functions rather than interpret the underlying legislation.

Q21. 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?

89. The draft Code includes 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

90. All seven responses received to this question agreed with the inclusion of the provisions.

Q22. 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?

91. The draft Code expands the provisions relating to the appointment of auditors of financial statements and the application of ethical standards to those auditors. It reinforces the focus on audit quality reflected in the Audit Quality Framework set out in Appendix 3. In the context of the external audit of the States of Jersey, the draft Code states explicitly that the ethical provisions relating to 'Public Interest Entities' apply.
92. Of the seven responses received to this question, six agreed with the inclusion of the provisions. Another respondent made observations without expressing overall support for or opposition to the expansion of the provisions relating to the appointment of auditors of financial statements and the application of ethical standards to those auditors.
93. Three respondents made observations. They suggested that:
 - there were potential cost impacts of imposing the requirements for Public Interest Entities on the audit of the financial statements of the States of Jersey;
 - given non-audit work already undertaken, transitional provisions or a deferral of implementation of Public Interest Entity requirements would be necessary;
 - the range of entities treated by the States of Jersey as controlled was wide and treating the States of Jersey as a Public Interest Entity would have significant consequences, including in respect of undertaking work for entities in respect of which the States of Jersey did not have an ownership interest;

- it was appropriate to provide interpretation of the application in a Jersey context as the Ethical Standard was issued by the United Kingdom's Financial Reporting Council in the context of UK legislation;
- the C&AG should consider the imposition of a fee cap for non-audit work; and
- there may be administrative difficulties for the C&AG providing pre-approval of non-audit work given the range of bodies to which the C&AG appoints auditors.

94. I have considered these observations carefully.

95. I am satisfied that, given the scale and nature of the States of Jersey, it is appropriate to treat it as if it were a Public Interest Entity despite the practical implications of doing so. However, I recognise that:

- treatment of the States of Jersey as if it were a Public Interest Entity triggers the application of some additional provisions of auditing standards as well as the Ethical Standard; and
- there are some provisions applicable to Public Interest Entities that require interpretation and modification in the context of the audit of the financial statements of the States of Jersey.

96. I have therefore decided:

- to retain the requirement to treat the States of Jersey as if they were a Public Interest Entity;
- reflecting that the treatment affects the application of auditing standards as well as the Ethical Standard, to move the requirement to Section 3 of the Code under the heading 'Additional responsibilities of the auditor of the financial statements of the States of Jersey';
- to recognise that interpretation and modification of provisions is necessary in the context of the financial statements of the States of Jersey; and

- to require compliance with the interpretations and modifications set out in supplementary guidance issued by the C&AG.
97. The treatment of the States of Jersey as if it were a Public Interest Entity directly leads to the imposition of a fee cap. I am therefore satisfied that it is not necessary to make any separate provision in this respect.
98. The requirements for pre-approval of non-audit work replicate those in the existing Code. The application of those provisions has not proven to be administratively onerous. I have therefore decided not to make any amendments to the draft Code in this respect.

Q23. Do you agree with the inclusion of a sub-section dealing with the delegation of functions by the C&AG? If not, why not?

99. The draft Code includes specific provisions about the delegation of the functions of the C&AG to other persons, including publicising the delegation arrangements in place.
100. Of the seven responses received to this question, six agreed with the inclusion of the provisions.
101. One respondent referred to the need for clarity about extension of such delegation to Arm's Length Organisations or companies controlled by the States.
102. The statutory provisions allow me to delegate any of my functions to another person and I have done so where it is necessary for the proper operation of the Office. I have, for example, delegated my functions, including those in relation to independently audited States bodies and States funded independent bodies, to the Deputy C&AG in my absence.
103. The draft Code provides for publication of a scheme of delegation that would clearly set out the scope of delegation of functions. Given this, and the width

of the power to delegate my functions, I have concluded that it is neither necessary nor helpful to provide further clarification in the Code.

Q24. Do you have any other observations on Section 8?

104. Two respondees made further observations on Section 8. They suggested that:

- there were advantages in the appointment of the same auditor to audit the financial statements of the States and entities controlled by the States and that consultation would therefore be needed between the C&AG and the entities in question where they appointed their own auditors; and
- there would be advantages in inclusion in the C&AG's Annual Report of a clear statement from the Board of Governance of the C&AG of the success or otherwise of the revised Code.

105. I have considered these observations carefully.

106. In respect of the suggestion about the advantages of appointment of the same auditor of the financial statements of the States of Jersey and controlled entities, I note that the material controlled entities consolidated in the States of Jersey's financial statements are all companies and legislation currently does not provide for the C&AG to appoint the auditors of such companies. As the Code deals with how the C&AG and the auditors appointed by the C&AG discharge their statutory functions, this matter falls outside the scope of the Code.

107. In relation to reporting on the success or otherwise of the Code in the Office's Annual Report, the draft Code already provided that the C&AG should report any instances of material non-compliance with the Code. I am further committed to report on the implementation of the new Code in my Annual Report.

Changes made following consideration of the responses to the consultation

- Transfer of provisions relating to the treatment of the States of Jersey as a Public Interest Entity to Section 3 of the Code under the heading “Additional responsibilities of the auditor of the financial statements of the States of Jersey’
- Clarification that the treatment of the States of Jersey as a Public Interest Entity relates to the provisions contained in auditing standards as well as those in the Ethical Standard for Auditors
- Requirement for the auditor appointed to audit the financial statements of the States of Jersey to apply provisions relating to Public Interest Entities with such interpretations and modifications contained in supplementary guidance issued by the C&AG

Part B: Possible legislative changes

Entities to which the C&AG appoints auditors

Q25. 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?

108. Independent appointment of auditors is a fundamental principle of public audit.
109. Consistent with those principles and my predecessor's 2014 report, I consulted on a proposal that the C&AG is given responsibility for the appointment of auditors of entities established or controlled by the States (other than companies). This recommendation would build on the legislative changes made in the C&AG (Jersey) Law 2014, extending the power to appoint auditors to a range of additional bodies including:
- the Jersey Teachers' Superannuation Fund;
 - the Jersey Overseas Aid Commission; and
 - the Commissioner for Children and Young People.
110. Of the ten responses received to this question, eight agreed with the proposal, one opposed the proposal and one made observations without agreeing or opposing the proposal.
111. Four respondees made observations:
- the Chair of the Government of Jersey's Risk and Audit Committee suggested that the answer would depend on whether the governance arrangements and structures for an entity were consistent with a power of appointment by the C&AG;
 - the Jersey Overseas Aid Commission suggested that appointment of auditors for the Commission was a matter for the Commission. However,

they also felt that given that the States maintains the accounts of the Commission on its financial system, the optimal course of action would be ending the responsibility to prepare separate accounts for the Commission given the inclusion of the Commission's transactions, assets and liabilities in the States' accounts;

- the Jersey Advisory and Conciliation Service was supportive of the proposal subject to consultation by the C&AG with the governing bodies of independent bodies and taking into account costs and benefits; and
- the Commissioner for Children and Young People was opposed to the proposal. She believed that appointment of auditors by the C&AG was inconsistent with the Paris Principles on National Institutions for the Promotion and Protection of Human Rights and General Comment No. 2 issued by the United Nations Committee on the Rights of the Child.

112. I have considered the observations made carefully. I have decided that my proposed change to legislation should remain.
113. The principle of independent appointment of auditors of public bodies is a central tenet of public audit, reflected in the principles of public audit developed by the Public Audit Forum that brings together the public audit institutions of the United Kingdom and its devolved administrations. The principle was advanced in my predecessor's 2013 report on *Public Audit in Jersey*, accepted and largely implemented through the adoption of the 2014 Law and should not, in my view, be changed.
114. The entities where the power of appointment of auditors of financial statements is vested with another person represent anomalies and the purpose of my recommendation is to establish a consistent framework.
115. In respect of the specific points made I have formed the view that my proposal should remain unchanged:
- I do not believe that governance arrangements within an entity should determine whether it appoints its own auditors or not. Following my

predecessor's 2014 report, legislation was amended so that the C&AG appoint auditors to a wide range of bodies with established governance arrangements, including their own Audit Committees;

- any decision on removal of a separate duty on the Jersey Overseas Aid Commission to prepare its own financial statements is a matter for the States Assembly. However, as the legislation stands, the position is anomalous as there is a requirement for audited financial statements but there is no provision for the appointment of the auditor by the C&AG;
- current legislation provides for the appointment by the C&AG of the external auditor of the Jersey Advisory and Conciliation Service. In practice, I consult with entities to which I appoint auditors and, in many cases, agree that the entity will undertake a procurement process for the appointment of the auditor of its financial statements leading to a recommendation to me.

116. I note that there is a clear difference of opinion between the Commissioner for Children and Young People and me on this proposal.

117. I would emphasise that I fully respect the principles of autonomy from government of human rights institutions set out in the Paris Principles on National Institutions for the Promotion and Protection of Human Rights and General Comment No. 2 issued by the United Nations Committee on the Rights of the Child. Indeed, such principles are analogous to the Mexico Declaration on Supreme Audit Institution Independence against which I have benchmarked my own office.

118. However, in my view, a power of the C&AG to appoint the auditor of the Commissioner's financial statements is not inconsistent with the Commissioner's autonomy:

- the C&AG is an independent officer, reporting to the States Assembly and, by virtue of Article 17 of the 2014 Law, incapable of being directed by any

person, including the Government of Jersey, in the discharge of their functions;

- the Office of the C&AG is a Non-Ministerial States Funded Body, outside the Government of Jersey and the remit of the Principal Accountable Officer;
- any auditor appointed by the C&AG to audit the financial statements of the Commissioner has no function in respect of allocation of resources to or use of resources by the Commissioner. Their function is merely to report on the truth and fairness of the financial statements prepared by the Commissioner;
- there is no explicit provision in either the Paris Principles on National Institutions for the Promotion and Protection of Human Rights or General Comment No. 2 issued by the United Nations Committee on the Rights of the Child relating to the appointment of auditors to human rights institutions. Indeed, I identified that the financial statements of comparable bodies in the United Kingdom, Australia and New Zealand are audited by the relevant Auditor General or an auditor appointed by the relevant Auditor General; and
- I already have, by virtue of Article 11 of the 2014 Law, a wide remit in respect of internal control, corporate governance and economy, efficiency and effectiveness in respect of the Commissioner.

119. I have undertaken research subsequently to support my report on *Annual Reporting* published in August 2020. This research identified further entities established by the States Assembly that are required to submit audited accounts but where the audit appointment is not made by the C&AG (see Appendix 2).

120. I note that in some cases the scale of operations of the entity is small and the cost of an external audit of the financial statements may be disproportionate to the benefits arising.

121. Even in these cases independent assurance remains important and it is helpful to look to other ways of providing such assurance:
- some smaller charities in England and Wales may elect to be subject to an independent examination rather than an audit. An independent examiner does not report on the truth and fairness of financial statements. Instead they undertake a range of specified procedures and report by exception on matters that they identify in the course of their work;
 - the Isle of Man amended its Audit Act 2006 to replace external audits with assurance reviews and independent examinations for smaller local government bodies.
122. I am therefore proposing that, for entities established by the States with a turnover of below £100,000 per annum, legislation is amended to allow the appointment by the C&AG of an independent examiner rather than an auditor to undertake an examination in accordance with Directions made by the C&AG.

Q26. 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?

123. The C&AG has a statutory duty to appoint the auditor of the financial statements of the Jersey Dental Scheme. In practice, no separate financial statements are prepared for the Scheme and its results are included within the financial statements of the States of Jersey, as are the results of the much larger Social Security Fund, Social Security (Reserve) Fund, Health Insurance Fund and Long-Term Care Fund. In the case of those funds, the legislation specifically provides that their results are included within the financial statements of the States of Jersey. I therefore consulted on a proposal that

the current practice in relation to the Jersey Dental Scheme is reflected in legislation.

124. All six respondees to this question agreed with the proposal.
125. One respondee suggested that the answer would depend on whether the governance arrangements and structures for an entity were consistent with a power of appointment by the C&AG
126. I have considered this observation carefully. I have decided not to make any change to my proposal because, for the reason given in my consideration of a similar answer to Question 25 above, I do not believe that the answer to this question is dependent on the governance arrangements in place for the Jersey Dental Scheme.

Q27. 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?

127. In my consultation I highlighted that there was no consistent statutory framework relating to the responsibilities and powers of auditors appointed by the C&AG. I noted that the statutory provisions relating to the appointment of auditors of entities other than the States of Jersey are spread between different pieces of legislation and are generally very limited:
- making different provisions about qualification for appointment;
 - usually making no provisions about the responsibilities of auditors; and
 - not providing auditors appointed by the C&AG with any explicit powers relating to access to information to discharge their functions (in contrast to the provisions relating to the C&AG).
128. I therefore proposed a consistent statutory framework for the responsibilities and powers of auditors appointed by the C&AG.

129. All eight respondents to this question agreed with the proposal.
130. Two respondents made observations:
- one respondent suggested that the answer would depend on whether the governance arrangements and structures for an entity were consistent with a power of appointment by the C&AG; and
 - another respondent said that the answer was dependent on the consideration of the powers of the C&AG to appoint auditors.
131. I have considered these observations carefully. I have decided not to change my proposal:
- I do not believe that governance arrangements within an entity have a bearing on the statutory framework relating to the responsibilities and powers of auditors appointed by the C&AG. Legislation can be framed in a way that is not dependent on the specific governance arrangements of an entity; and
 - my proposal related only to circumstances in which the C&AG has or is given the power to appoint auditors of financial statements and is not therefore dependent on the consideration to whether the C&AG appoints auditors.

Reporting by entities to which the C&AG appoints auditors

Q28. 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?

132. In my consultation document I emphasised that high quality public audit of financial statements is facilitated by high quality financial and associated non-financial reporting.

133. I noted that the statutory framework for financial and non-financial reporting was inconsistent and very limited. I noted that the statutory timescales for financial and non-financial reporting varied.
134. I therefore proposed a statutory change to facilitate prescription of a consistent framework, analogous to the requirement for the accounting standards for the States of Jersey being directed in the Public Finances Manual.
135. All eight responses to this question agreed with the proposal.
136. Two respondees made observations. They suggested that:
- there should be consistency within the requirements of accounting standards; and
 - it was important to take into account the different purposes, stakeholders and users of annual reports and accounts. Therefore, it was important that there is liaison with the bodies on supplementary reporting outside the published financial statements.
137. I have considered these observations carefully. I have decided not to change my proposal:
- my proposal is for the establishment of a mechanism for the establishment of a consistent framework of high quality financial and non-financial annual reporting. That framework includes, but is not limited to, adopting an appropriate framework for financial reporting. I am not proposing departures from the accounting standards adopted. Indeed, I encourage the elimination of departures from International Financial Reporting Standards in the financial statements of the States of Jersey; and
 - I recognise the specific needs of different users of annual reports and accounts. My recommendation was to establish a statutory framework for prescribing minimum consistent standards of reporting without in any way

detracting from additional reporting specifically relevant to the circumstances of an entity.

Governance of the Office of the C&AG

Q29. 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?

138. In my consultation document I highlighted the strong statutory protections of the independence of the C&AG: appointment for a seven-year non-renewable term with removal from office only on specified grounds (such as failure to perform their duties) and then only by resolution of the States Assembly on a proposition brought by the Chief Minister and Chairman of the Public Accounts Committee acting jointly.

139. I noted, however, despite the knowledge of the independent Board of Governance of the C&AG of the operation of the Office, the legislation provides no role for the Board of Governance in event of consideration of a proposal to revoke the appointment of the C&AG. I proposed that legislation should provide for such a role.

140. All seven responses to this question agreed with the proposal.

141. One respondent suggested that:

- any decision to remove the C&AG should as a minimum have the agreement of the Chief Minister and Chairman of the Public Accounts Committee; and
- the Board of Governance should have the power to raise concerns with the Chief Minister and Chairman of the Public Accounts Committee.

142. I have considered these suggestions carefully. I have decided not to amend my proposal because:

- Article 7 of the 2014 Law already provides that the appointment of a person to hold the office of C&AG can only be revoked by the States Assembly on a proposition signed by the Chief Minister and Chairman of the Public Accounts Committee alleging one of the specified grounds for revocation. My proposal was solely to provide a role for the Board of Governance in the process rather than to replace any of the existing elements; and
- Article 5(2) of the Comptroller and Auditor General (Board of Governance) (Jersey) Order 2015 already requires the Board to raise any concern that the Board has about the C&AG's use of resources or governance arrangements to the Chief Minister and Chairman of the Public Accounts Committee.

Q30. 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?

143. In my consultation document I noted that, to protect their ability to act without fear or favour, the C&AG has a wide-ranging statutory limitation on their liability for damages arising from the discharge of their functions. I noted that, despite the vital role of the Board of Governance in keeping under review the use of resources of the Office, there is no equivalent limitation of liability or indemnity for Board members other than the C&AG.
144. I proposed that there should be such a statutory limitation for the independent members of the Board of Governance.
145. All eight responses to this question agreed with the proposal.
146. My proposal therefore remains unchanged.

Q31. Do you agree that there should be:

- an increase in the maximum number of independent members of the Board Governance to four; and/or
- provision for a reduction in the quorum of the Board of Governance in limited circumstances to secure its continued operation?

147. In my consultation document I highlighted that, given the small size of the Board of Governance, a combination of a vacancy in office and illness of a member would render the Board inquorate and incapable of performing its functions. I proposed a statutory change either to increase its membership by one or provide for a reduction in the quorum for the Board in limited circumstances.

148. All eight responses to this question agreed that there should be a statutory change to facilitate the operation of the Board.

149. Of the four respondees who made observations, three expressed a preference for an increase in the size of the Board and one, on grounds of cost, expressed a preference for a relaxation of the quorum.

150. I have considered the weight of support for an additional member of the Board as opposed to a relaxation of the quorum of the Board. In light of the observations I have decided to amend my proposal to one recommending an additional member of the Board. In so doing, I would emphasise that the independent members of the Board, other than the Chairman, are unpaid and the only additional costs arising from an additional Board member relate to recruitment, travel and accommodation. In my opinion these costs can be justified in the context of ensuring the continuing operation of the Board of Governance as an essential component of the governance of the Office.

Other matters

Q32. Are there any other areas in which you believe that public audit legislation should be amended? If so, what areas and why?

151. At the time of publishing my consultation document in May 2020, I had not identified any other high priority areas for legislative change. I invited respondents to identify any other areas in which they believed that public audit legislation should be amended.
152. One respondent asked whether there should be arrangements to report in the public interest, a feature of some public audit legislation in the United Kingdom.
153. Public interest reporting is a feature of local government audit in England, Wales and Northern Ireland. It also applies to the audit of NHS bodies in England. The legislation permits auditors to issue a report in the public interest in relation to a matter that they believe should be considered by the body to which the report is addressed or brought to the attention of the public. The legislation requires consideration of the report at a meeting of the body, publicity for the meeting and publicity for any decisions made as a result of consideration of the report.
154. Equivalent provisions do not exist for the external audit of United Kingdom central government bodies or other public bodies in England, Wales or Northern Ireland.
155. I have considered this question carefully. I have decided not to make a proposal to introduce such a mechanism.
156. I am not convinced that public interest reporting is necessary in the context of Jersey to secure effective consideration of reports issued by the C&AG:
- under Article 20 of the 2014 Law, reports that I issue, whether on the States of Jersey, a States funded body, an independently audited States

body or a States funded independent body, are laid before the States Assembly and thereby placed in the public domain; and

- by virtue of Standing Order 132 of the States of Jersey, the Public Accounts Committee is charged with receiving and considering my reports.

Part C: Overarching point

157. The Committee of Management of the Public Employees' Pension Fund and the Management Board of the Jersey Teachers' Superannuation Fund (JTSF), suggested that, despite the powers of the C&AG to appoint auditors of the Funds (delegated by the Treasurer of the States in the case of the JTSF), the Funds were independent bodies and fell outside the scope of the consultation.
158. I fully respect the constitutional position of the Committee of Management and Management Board. However, I believe that the Public Employees' Pension Fund and Jersey Teachers' Superannuation Fund fall fully within the ambit of the consultation:
- Article 1(1) of the 2014 Law defines an 'independently audited States body' as 'a person (including a corporation sole), office or body, whether or not incorporated, established by an enactment or by an Act of the States where the establishing enactment or Act provides for the person, office or body to be audited otherwise than by the C&AG';
 - the Public Employees' Pension Fund is established by Article 2 of the Public Employees (Pensions) (Jersey) Law 2014. By virtue of Regulation 21(4) of the Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 2015, the financial statements of the Fund are audited by an auditor appointed by the C&AG. The Public Employees' Pension Fund is therefore an 'independently audited States body';
 - the Jersey Teachers' Superannuation Fund is established by Article 2 of the Teachers' Superannuation (Jersey) Law 1979. Article 22 of the Teachers' Superannuation (Administration) (Jersey) Law 2007 requires the accounts of the Fund to be audited by auditors appointed by the Treasurer of the States, a function that the Treasurer of the States has delegated to the C&AG. It is therefore an 'independently audited States body'; and

- Article 13 of the 2014 Law empowers the C&AG to report on the accounts of an independently audited States body, its general corporate governance arrangements, the effectiveness of its internal controls, whether resources are being used economically, efficiently and effectively and any actions needed to bring about improvement.

Appendix 1

Responses to the Consultation

Consultation responses were received from:

- Commissioner for Children and Young People
- Financial Services Commission
- Government of Jersey
- Greffier of the States
- Jersey Advisory and Conciliation Service
- Jersey Overseas Aid Commission
- Committee of Management, Public Employees' Pension Fund and Management Board, Jersey Teachers' Superannuation Fund
- Chair, Risk and Audit Committee, Government of Jersey
- Scrutiny Liaison Committee and Public Accounts Committee, States Assembly

In addition, two responses were received from audit firms that asked that their responses should be treated as confidential.

Appendix 2

Statutory provisions relating to appointment of auditors

Entity	Auditor appointed by	Qualification for appointment	Duties of auditor	Legislation
States of Jersey	Comptroller and Auditor General	-	'whether the annual financial statement properly represents the activities of the States for the financial year and whether Article 32(2) of the Public Finances Law has been complied with.'	Article 12, Comptroller and Auditor General (Jersey) Law 2014
Commissioner for Children and Young People	Commissioner for Children and Young People (discretion to appoint)	'qualified to be recognised auditors in accordance with Article 112 of the Companies (Jersey) Law 1991'	'to audit the accounts of the office in accordance with generally accepted accounting principles and show a true and fair view of the profit or loss of the office for the financial year in question and of the state of the office's affairs at the end of that year'	Article 23 and Paragraph 13, Schedule, Commissioner for Children and Young People (Jersey) Law 2019
Competition Regulatory Authority	Comptroller and Auditor General	'Article 113 of the Companies (Jersey) Law 1991 ^[17] shall apply to an auditor and the auditor's appointment referred	-	Article 17, Competition Regulatory Authority (Jersey) Law 2001



JERSEY AUDIT OFFICE

Entity	Auditor appointed by	Qualification for appointment	Duties of auditor	Legislation
		to in this Article as if the Authority were a company within the meaning of the first-mentioned Article and the appointment were under Article 109 of that Law'		
Data Protection Authority	Comptroller and Auditor General	-	-	Article 43, Data Protection Authority (Jersey) Law 2018
Financial Services Commission	Comptroller and Auditor General	'qualified for appointment as auditors of a company by virtue of Article 113 of the Companies (Jersey) Law 1991'	-	Article 21, Financial Services Commission (Jersey) Law 1998
Financial Services Ombudsman	Board of the Office of the Financial Services Ombudsman	'qualified for appointment as auditors of a company by virtue of Article 113 of the Companies (Jersey) Law 1991'	-	Paragraph 1, Schedule 2, Financial Services Ombudsman (Jersey) Law 2014
Gambling Commission	Comptroller and Auditor General	'qualified for appointment as auditors of a company by virtue of Article 113 of the Companies (Jersey) Law 1991'	-	Article 18, Gambling Commission (Jersey) Law 2010
Jersey Advisory and Conciliation Service	Comptroller and Auditor General	'Articles 113 to 113E of the Companies (Jersey) Law 1991 shall apply to an auditor and the auditor's appointment as if JACS were a company within the meaning of those Articles and the appointment were under Article 109 of that Law'	-	Paragraph 10, Schedule, Jersey Advisory and Conciliation (Jersey) Law 2003



JERSEY AUDIT OFFICE

Entity	Auditor appointed by	Qualification for appointment	Duties of auditor	Legislation
Jersey Consumer Council	The Council	'a suitably qualified person'	-	Article 23, Jersey Consumer Council Constitution
Jersey Overseas Aid Commission	-	-	-	Paragraph 11, Schedule 1, Jersey Overseas Aid Commission (Jersey) Law 2005
Jersey Safety Council	'audited by the States auditor'	-	-	Paragraph (e), P.102/1991
Public Employees' Pension Fund	Comptroller and Auditor General	-	-	Regulation 21, Public Employees (Pension Scheme) (Administration) (Jersey) Regulations 2015

Appendix 3

Changes to the draft Code of Audit Practice following consideration of consultation responses

Section	Title	Change
1	Introduction	Inclusion of reference to the different types of body to which the C&AG's functions relate
1	Introduction	Inclusion of a general, non-exhaustive description of the scope of supplementary guidance issued by the C&AG
1	Introduction	Inclusion of a requirement for the C&AG regularly to review supplementary guidance issued
1	Introduction	Inclusion, under 'Application of this Code and Supplementary Guidance', a clear statement that the Code applies to auditors appointed by the C&AG
2	General Principles	Inclusion, under 'Wider scope of public audit', of a requirement to consider costs as well as benefits in the discharge of the C&AG's functions
3	Work on the financial statements	Prohibition on the adoption of the alternative provisions available for audits of small entities contained in the Ethical Standard issued by the Financial Reporting Council
3	Work on the financial statements	Clarification that the requirements for liaison with auditors appointed by the C&AG and the C&AG, provision of information to the C&AG and co-



JERSEY AUDIT OFFICE

Section	Title	Change
		operation between auditors appointed by the C&AG are subject to statutory and professional constraints
3	Work on the financial statements	Transfer from Section 8 of provisions relating to the treatment of the States of Jersey as a Public Interest Entity
3	Work on the financial statements	Clarification that the treatment of the States of Jersey as a Public Interest Entity relates to the provisions contained in auditing standards as well as those in the Ethical Standard for Auditors
3	Work on the financial statements	Requirement for the auditor appointed to audit the financial statements of the States of Jersey to apply provisions relating to Public Interest Entities with such interpretations and modifications contained in supplementary guidance issued by the C&AG
3	Work on the financial statements	Interpretation of 'parliamentary authorities' to include the amounts specified in Articles 9(2) and 9(3) of the Public Finances (Jersey) Law 2019 ('the 2019 Law') but not the supporting information required by Article 9(4) of the 2019 Law
3	Work on the financial statements	Clarification that the regularity opinion on the financial statements of the States of Jersey is included within the Independent Auditor's Report



JERSEY AUDIT OFFICE

Section	Title	Change
3	Work on the financial statements	Replacement of the requirement for the auditor of the financial statements of the States of Jersey to report on compliance with International Financial Reporting Standards with a requirement for them to undertake such supplementary reporting specified by the C&AG
4	Work on corporate governance, internal control and economy, efficiency and effectiveness	Expansion of provisions relating to planning audit work to state that the C&AG should take into account the scope, nature, timing and results of other work, including that by inspectorate and authoritative external bodies
6	Reporting	Inclusion of a requirement for the Annual Report of the Office of the C&AG to address both performance and accountability
7	Liaison	Improved drafting to the final paragraphs of the sub-sections relating to the Public Accounts Committee, States of Jersey Risk and Audit Committee and Those charged with governance of other entities
8	Other matters	Transfer to Section 3 of provisions relating to the treatment of the States of Jersey as a Public Interest Entity
App 3	Audit Quality Framework	Enhancement of the Audit Quality Framework to permit the C&AG to review, or appoint a person or persons to review, the quality of audit work

Section	Title	Change
		undertaken by auditors appointed by the C&AG, including through review of audit working papers.
App 5	Glossary of terms	Inclusion in the Glossary at Appendix 5 of 'duty' and 'power'



JERSEY AUDIT OFFICE