

Audit Plan Update

October 2021

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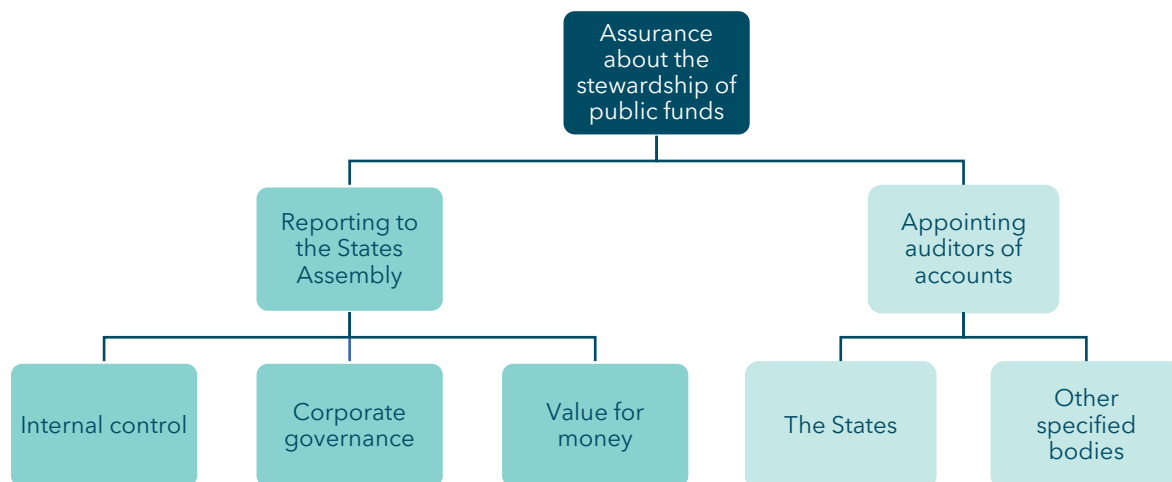
Introduction

1. Independent external audit is an important part of the process of accountability for public money. It provides assurance on the stewardship of public funds and on corporate governance.
2. Audit is not a substitute for the responsibilities of those providing public services. It is for them to ensure that public business is conducted in accordance with the law and proper standards, that public money is safeguarded, that public funds are properly accounted for and that economy, efficiency and effectiveness are secured.
3. On 8 January 2021, I published an audit plan setting out how I intend to deliver the responsibilities of the Comptroller and Auditor General (C&AG) under the Comptroller and Auditor General (Jersey) Law 2014 ('the 2014 Law').
4. Under Article 17 of the 2014 Law the C&AG may not be directed in how he/she undertakes those functions. However, the C&AG has a duty to attend meetings of and liaise with the Public Accounts Committee (PAC). I have done so in preparing this plan and I value the Committee's thoughts and contribution to my thinking.
5. The plan covers the period 2021-2024. It provides a detailed plan for the year ending 31 December 2021 and indicative plans for the three years thereafter. I have chosen a four year period in order to be consistent with the Government Plan period.
6. The plan is subject to review and change in light of changes in the risks identified, including as a result of matters brought to the attention of the C&AG by the PAC, Members of the States Assembly, officers of the States and others. I advise the PAC of any changes to the plan. This is the third formal quarterly update to the plan for 2021.

Statutory Responsibilities

7. My responsibilities are to provide independent, robust assurance about the stewardship of public funds by:
 - reporting to the States Assembly on the effectiveness of internal control, general corporate governance arrangements and economy, efficiency and effectiveness ('value for money'); and
 - appointing auditors of the accounts of the States (including the Social Security Fund, the Social Security (Reserve) Fund, the Health Insurance Fund and the Long-Term Care Fund) and certain other specified entities.
8. My responsibilities are summarised in Exhibit 1.

Exhibit 1: Responsibilities of the C&AG



9. Article 18 of the 2014 Law requires me to prepare and publish a statement of the manner in which I propose to discharge my functions. The Code of Audit Practice (the Code) published in November 2020 discharges that responsibility. Whereas the legislation sets out what my audit work should achieve, the Code sets out how the work should be undertaken.
10. The Code covers:
 - the general principles applying to public audit in Jersey
 - work on the financial statements

- work on corporate governance, internal control and value for money (economy, efficiency and effectiveness)
 - follow up of previous external audit recommendations
 - reporting the results of audit work; and
 - liaison with others (including with PAC, the Risk and Audit Committee and Scrutiny Panels).
11. The Code is an important means by which States Members, Ministers, officers of the States, other stakeholders and the public of Jersey can secure a common understanding of what the C&AG and audit firms appointed by the C&AG shall do, what they shall not do, how they shall operate and how they shall interact.
12. I will adhere to the Code when planning and undertaking my work.

Purpose, Vision and Values

13. In summary, my purpose and the purpose of the Jersey Audit Office that I head up is to provide 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.
14. The vision of the Jersey Audit Office is to be a trusted and innovative audit organisation that champions good governance and the wise use of public money in Jersey.
15. The Jersey Audit Office operates to the following fundamental values
 - Independence and objectivity - we appoint auditors, determine our work plan, carry out our work and report our findings impartially. We are accessible, transparent and responsive. We drive constructive and positive change through our recommendations and follow-up. We respond with agility to the ever-changing environment in which we operate.
 - Fairness and justice - we are open and honest in the way we undertake our work, how we communicate with all stakeholders and how we treat people. We report our evidence-based findings in public, without fear or favour. We undertake audit work as economically, efficiently and effectively as possible.
 - Integrity - we speak up for what is right. We strive for and deliver high quality outcomes. We are truthful in making decisions and in responding to challenge. We meet our responsibilities in an ethical and fair way.
 - Credibility - we provide insight and promote best practice. We engage proactively with our stakeholders, with whom we work hard to build and maintain trust. Our work follows best practice and is undertaken by a team of reliable and dedicated professionals in accordance with recognised international standards.

Financial Statements Audit

Statutory Requirements

16. Legislation requires the C&AG to appoint auditors of the financial statements of:
- the States of Jersey; and
 - certain other entities as detailed in Exhibit 2.
17. In addition, in one case, pending proposed legislative change, I appoint an auditor at the request of the Treasurer of the States.

Exhibit 2: Auditors of other bodies appointed by the C&AG

Body	Nature of appointment	Auditor appointed	Note
Public Employees' Pension Fund	Statutory	Nexia Smith Williamson	1
Jersey Teachers' Superannuation Fund	At request of the Treasurer of the States	Nexia Smith Williamson	1
Jersey Financial Services Commission	Statutory	BDO LLP	2
Gambling Commission	Statutory	Alex Picot	
Jersey Competition Regulatory Authority	Statutory	RSM Channel Islands (Audit) Limited	
Jersey Advisory and Conciliation Service	Statutory	Alex Picot	
Data Protection Authority	Statutory	Baker Tilly Channel Islands Limited	

Note:

1. A procurement exercise for the appointment of auditors for 2021 onwards was completed recently.
2. A procurement exercise for the appointment of auditors for 2021 onwards is ongoing.

States of Jersey

18. The States have a statutory duty to prepare financial statements (including the accounts of the Social Security Fund, the Social Security (Reserve) Fund, the Health Insurance Fund and the Long-Term Care Fund) within three months of the year end and I have a duty to secure that an audit is undertaken within five months of the year end.
19. The scope of the audit is extended so that it includes not only an opinion on the truth and fairness of the financial statements but also an opinion on the 'regularity' of income and expenditure, in other words whether it is:
 - in accordance with the intentions of the States Assembly; and
 - in compliance with relevant legislation, directions and other authorities.
20. Following a competitive tender process in 2020, Mazars LLP were awarded a five year contract to undertake the audit of the States' accounts.
21. The Government is keen to secure earlier reporting of performance to the public and the States Assembly. For 2020, the audit was completed and reported in May 2021 by the auditor, Mazars LLP. This was a later date than the audit opinion issued by the then auditor, Deloitte LLP, for the 2019 accounts. The regularity audit opinion issued by Mazars LLP in May 2021 was qualified.

Audit Quality Framework

22. The Code published in November 2020 includes (in Appendix 3) an Audit Quality Framework covering the means by which I ensure that:
 - audit work is undertaken by appropriately trained and supported individuals and audit teams
 - there are organisation-wide arrangements for quality control both within the Jersey Audit Office and the audit firms appointed by the C&AG; and
 - there is appropriate, independent assurance activity.
23. As part of my work in finalising the Code, I identified a gap in regulatory oversight of the audits 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 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. During 2021 I am putting more formal measures in place for such reviews.

Internal Control, Corporate Governance and Value for Money

Statutory Requirements

24. Article 11(3) of the 2014 Law imposes a duty on the C&AG to consider and report to the States Assembly in relation to the States of Jersey, States funded bodies, the Social Security Fund, the Social Security (Reserve) Fund, the Health Insurance Fund and the Long-Term Care Fund on:
- general corporate governance arrangements
 - the effectiveness of the internal controls, including internal auditing of those controls; and
 - economy, efficiency and effectiveness in the use of resources.
25. Articles 13(1) and 14(3) of the 2014 Law allow the C&AG to report in relation to these three matters in respect of independently audited States bodies and States aided independent bodies.

How I plan my work

26. I plan my work so that in each year I undertake one or more elements of work specifically to consider each of corporate governance, internal control and economy, efficiency and effectiveness.
27. To deliver a proportionate and effective work programme, I plan my work using a risk based approach. There are four key stages to my audit planning cycle (see Exhibit 3).

Exhibit 3: The Audit Planning Cycle



28. In developing this audit plan I take account of a wide range of risks facing the States, including:
- strategic risks arising from governance functions and those risks that are known to the States and managed through their existing risk systems
 - operational risks arising from the delivery of support and front-line service functions
 - business change risks arising from the introduction of new systems and processes; and
 - emerging risks arising from changes outside the States' control.
29. Work planned in 2021 builds upon and follows up work undertaken in previous years.

Current Risks and Priorities

30. Corporate governance will continue to be a major focus as it underpins the arrangements that secure value for money and effective internal controls.
31. Since March 2020, the activities of the States have been dominated by the response to the global COVID-19 pandemic. The rapidly evolving nature of the COVID-19 pandemic has called for an extraordinary response from Government as it has sought to save lives and protect health and livelihoods in Jersey. I revised my 2020 audit plan accordingly both to include specific work looking at the

Government's response to the COVID-19 pandemic and to revise the timing of other planned reviews to reflect the changing priorities of Government.

32. The COVID-19 pandemic continues to demand a significant response from Government during 2021 in the form of continued testing, vaccine roll-out and continued support to the economy. My plan reflects this through reviews of the Government's response in 2021 and 2022.
33. Many of the Government's modernisation initiatives that had been planned for 2020 and beyond have been delayed or deferred as a consequence of the COVID-19 pandemic. Therefore, some reviews that I had originally planned for 2020 are now included in my 2021 plan.
34. Whilst change of the magnitude envisaged in the modernisation initiatives can deliver substantial benefits, there are associated risks. My work in 2021 and beyond will continue to concentrate on the risks arising from change including:
 - keeping an overview of wider arrangements for ensuring that control is maintained during a period of major and rapid change
 - keeping a watching brief on changes in arrangements for financial management which are intended to address the implementation of the many recommendations the C&AG has made in this area
 - monitoring the implementation of previous recommendations and the effectiveness of the C&AG recommendations tracker, particularly where the responsibility for implementation may have changed under the new Target Operating Model; and
 - continuing to focus on elements of the States of Jersey outside the Ministerial departments directly affected by the move to the new Target Operating Model.
35. The Government Plan proposes significant changes to the delivery of healthcare on the Island through the Jersey Care Model and investment in digital healthcare systems. My plan reflects the risks associated with these changes with specific reviews planned in 2022 and 2023.
36. My plan also reflects the risks associated with the substantial investment planned in ICT systems more generally including the risks related to cyber security. Over the plan period I intend to undertake a number of reviews associated with planned ICT implementations and cyber security arrangements.
37. The States have taken steps to embrace sustainable wellbeing in legislation and policy frameworks and intend to continue to do so throughout the period of my plan. I have included within my plan specific reviews of the Jersey Performance Framework and of Sustainable Transport.

38. In 2020, I produced a *Good Practice Guide to Annual Reporting* to encourage greater transparency and excellence in the annual reports of publicly funded organisations. I will continue to encourage excellence and transparency in annual reporting and have included this as a theme in all years of my plan.
39. Since the publication of my audit plan in January 2021, an interim Chief Executive has taken up post. In addition, the appointment of a new permanent Chief Executive has been announced recently. The new Chief Executive will take up post in February 2022. The change in executive leadership may have an impact on priorities and timescales for key projects. I will continue to monitor this potential impact in terms of the proposed timing and focus of my work.
40. As noted above, the States auditor, Mazars LLP, issued a qualified regularity opinion on the 2020 Annual Accounts of the States in May 2021. The qualification related to the severance payment made to the former Chief Executive. Whilst Mazars LLP issued a qualified opinion on regularity, this does not mean that the States lacked the power to agree and make the payment. The circumstances of and processes followed in respect of the severance of the former Chief Executive did however highlight a number of weaknesses in policies and procedures in the States. These weaknesses included non compliance with the requirements of the Public Finances Manual in respect of the payment made.
41. I amended my audit plan during the second quarter of 2021 to bring forward elements of my planned review of the States Employment Board to consider the issues relating to the employment of the former Chief Executive.

Indicative Audit Plan to 2024

42. The indicative audit plan for the next four years is presented in Exhibit 4. This indicates the work I propose to undertake each year and the audit objectives to which the work relates. I shall update the plan in light of changes in my assessment of risks and priorities. At this point, there are no changes to the plan published in January 2021.
43. The plan includes certain work that commenced in 2020 and will report in 2021:
 - Government's response to the COVID-19 pandemic
 - Anti-Corruption arrangements
 - Public Audit in Jersey; and
 - the Integrated Technology Solution implementation.

Exhibit 4: Indicative plan to December 2024

Areas for review	Internal Control	Value for Money	Corporate Governance	2021	2022	2023	2024
Public Audit in Jersey			✓	✓			
Anti-Corruption Arrangements	✓		✓	✓			
Government response to the COVID-19 pandemic - work commenced in 2020	✓	✓	✓	✓			
Government response to the COVID-19 pandemic - test, tracing and vaccine		✓	✓	✓			
Government response to the COVID-19 pandemic - economic recovery		✓	✓		✓		
ICT Implementation - Integrated Technology Solution		✓	✓	✓	✓		
Capital and Major Projects	✓	✓	✓	✓		✓	
Long-Term Care Fund	✓	✓	✓	✓			
Cyber Security Arrangements	✓	✓		✓	✓		

Areas for review	Internal Control	Value for Money	Corporate Governance	2021	2022	2023	2024
Grants to Arts, Heritage and Cultural Organisations		✓	✓	✓			
Portfolio, Programme and Project Management	✓	✓	✓		✓		
Efficiency savings	✓	✓	✓		✓		
Jersey Care Model	✓	✓	✓		✓		
Infrastructure Assets		✓				✓	
Health Informatics and Digital Care		✓	✓			✓	
Jersey Pupil Premium		✓	✓			✓	
Jersey Performance Framework		✓	✓			✓	
ICT Implementation - benefits system		✓	✓			✓	✓
Child and Adolescent Mental Health Services		✓	✓				✓
Commercial Services and Procurement	✓	✓	✓				✓

Areas for review	Internal Control	Value for Money	Corporate Governance	2021	2022	2023	2024
Governance of the Prison Service			✓				✓
Social Security Fund	✓	✓	✓				✓
Sustainable Transport		✓					✓
Transparency in Annual Reporting			✓	✓	✓	✓	✓
Follow up of previous recommendations	✓	✓	✓	✓	✓	✓	✓

Detailed Plan to December 2021

44. The detailed plan to December 2021 is set out in Exhibit 5. This has been updated at the end of the third quarter of 2021. I will continue to update the plan on a quarterly basis and present it to the PAC. The plan and updates to it will also be published on the Jersey Audit Office website jerseyauditoffice.je
45. I plan to deliver the reviews through the Jersey Audit Office with the assistance of my Deputy and a number of individual and corporate affiliates with specialist knowledge and experience.

Exhibit 5: Detailed plan January 2021 to December 2021

Areas for review	Status	Comment
Anti-corruption arrangements	Issued	Report published January 2021
Public audit in Jersey	Issued	Thinkpiece published January 2021
Government response to the COVID-19 pandemic: <ul style="list-style-type: none"> • procurement and supply chain management • support to businesses and individuals • management of public finances • management of the healthcare response • communications • governance and decision making 	<ul style="list-style-type: none"> • Issued • One report issued, others to follow • Issued • Issued • Work ongoing • Work ongoing 	Project specification published Report on COVID-19 Related Emergency Support Scheme published March 2021 Report on Management of the Healthcare Response published April 2021 Report on Procurement and Supply Chain Management published May 2021 Report on Overall Management of Public Finances published June 2021 I will continue to publish reports on the Government's response to the COVID-19 pandemic in Q42021 and in 2022

Areas for review	Status	Comment
Government response to the COVID-19 pandemic: <ul style="list-style-type: none"> test, trace and vaccine roll out 	Planned	Project specification to be published Q4
ICT Implementation - Integrated Technology Solution	Fieldwork complete	Project specification published Report to be published Q4 2021
Capital and Major Projects	Planned	Project specification to be published Q4
Long-Term Care Fund	Planned	Project specification published
Cyber Security Arrangements	Fieldwork in progress	Project specification published Fieldwork commenced in September 2021
Grants to Arts, Heritage and Cultural Organisations	Planned	Project specification to be published Q4
Annual Reporting	Fieldwork complete	Project specification published Report and Good Practice Guide to be published Q4 2021
Follow up of previous audits		
C&AG Recommendation Tracker Arrangements	Phase one work complete Phase two work planned	Project specification published Phase two work to be commenced in October 2021
States Employment Board (March 2019)	Phase one report issued Phase two planned for Q4 2021/Q1 2022	Project specification published States Employment Board - follow up: Employment of the

Areas for review	Status	Comment
		former Chief Executive published May 2021
Governance Arrangements - Health and Social Care (September 2018)	Issued	Report published September 2021
Governance of the States of Jersey Police (March 2018)	Planned	Project specification published Fieldwork to be commenced in Q4 2021
Oversight of and Remuneration of Boards	Planned	Project specification to be published Q4 Report now planned in 2022, taking into account the following reports: <i>The States as Shareholder - Jersey Telecom</i> (July 2014) <i>The States as Shareholder - Follow-up</i> (March 2019) <i>Oversight of Arm's Length Organisations</i> (June 2017) <i>Arm's Length Organisations - Visit Jersey</i> (December 2018) <i>Role and Operation of the States Employment Board</i> (March 2019); and <i>Remuneration of Boards</i> (October 2019).



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