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Board of Governance of the Comptroller and Auditor General of Jersey

Code of Practice Governing the Relationship between the Comptroller & Auditor General and the Board of Governance

Approved by the Board of Governance on 28 June 2022

Purpose

1. This Code of Practice ("Code") deals with the relationship between the Comptroller and Auditor General and the Governance Board. The C&AG and the Board have agreed to comply with its provisions.
2. Under the Comptroller and Auditor General (Jersey) Law 2014, the C&AG is personally responsible for a range of statutory functions in relation to a wide-range of public bodies in Jersey. The C&AG has complete discretion as to how those functions are exercised.
3. The Comptroller and Auditor General (Board of Governance) (Jersey) Order 2015 ("the 2015 Order") requires the Board to keep under review whether the C&AG has used and is using the resources provided to him or her under Article 9 of the 2014 Law properly, efficiently and effectively. In discharging this function, the Board must scrutinize the use of the resources by, and the governance arrangements of, the Comptroller and Auditor General and report any concerns to the Chief Minister and the Chairman of the Public Accounts Committee ("PAC Chairman"). The Board's role is therefore one of oversight and it has no executive functions.
4. The C&AG is a member of the Board by virtue of that office and thus has both (i) responsibility for discharging his or her own statutory audit functions and (ii) a key role in the body established to monitor his or her use of resources and governance arrangements.
5. The core purpose of the Code is to ensure that the Board observes, protects and defends the C&AG's statutory audit independence while providing the organisation with the high standards of governance that States and the people of Jersey are entitled to expect. It sets out:
 - a) overall principles to govern the relationship between the C&AG and the rest of the Board; and
 - b) processes for undertaking the Board's statutory functions, for maintaining standards of corporate governance; and for conflict resolution.

Principles to govern the relationship between the C&AG and the other members of the Governance Board

6. The C&AG and the other members of the Board will adhere to the following principles in their dealings with one another:
 - a) to work together with the common aim of ensuring that the Office of the C&AG is well-run, well-governed and effective;
 - b) to protect the operational audit independence of the C&AG;
 - c) to operate and demonstrate high standards of corporate governance;

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- d) to recognise and respect the particular roles of the members, including not seeking to operate beyond their respective functions set out in statute (or properly incidental to those functions);
- e) to work in an open and constructive manner, providing mutual respect; and
- f) to keep one another informed of significant developments in the operation of the Office of the C&AG and the environment in which it works.

Processes for scrutinising the use of resources and governance arrangements

7. The Board notes that executive functions are vested in the C&AG and that its role is mainly oversight and advisory. For the Board to be able to discharge its general functions of scrutinising the use of the resources by, and the governance arrangements of the C&AG, the C&AG agrees to:
 - a) report significant matters relating to the functions of the Board in a timely manner;
 - b) provide the Board with the information and documentation specified in Appendix 2 of the Board's Standing Orders;
 - c) ensure that the independent members are kept informed about the C&AG's work programme, interactions with the PAC and other significant and relevant matters relating to the governance and financial management of the Office of the C&AG;
 - d) ensure that the Board has access to relevant staff/officers and documents on request;
 - e) ensure that the external auditor can meet with or have access to the Board when needed; and
 - f) enable the external auditor to have direct and unfettered access to the Board Chairman at any time and vice versa.
8. The C&AG may seek the advice of the Board on any matter relevant to its remit for example, before letting key contracts, making key changes to the office structure or changes to the governance arrangements.
9. In scrutinising the use of resources by the C&AG, the Board will, as required by Article 5 of the 2015 Order, consider whether the C&AG has used the resources provided to him or her under Article 9 of the 2014 Law properly, efficiently and effectively. The work of the external auditor is critical in this regard and the Board will consider the following matters:
 - a) the auditor's strategy for examining the financial statements;
 - b) the auditor's report on the financial statements;

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- c) the C&AG's response to any specific recommendations made by the auditor.
- 10. The auditor may meet in private session with the independent members at the request of the auditor or the Board Chairman.
- 11. The Board will keep under review whether circumstances suggest that it would be desirable to recommend the appointment of an internal auditor for the C&AG.
- 12. The Board's scrutiny of the C&AG's governance arrangements will have the widest possible scope without impinging on the C&AG's operational independence. This includes the implications of the existing statutory arrangements for governance, review of office policies (including but not limited to policies for pay and remuneration, procurement, minimising and dealing with fraud, handling complaints and whistleblowing) and the arrangements for identification and management of risk.
- 13. Before exercising its right to report any concerns to the Chief Minister and the PAC Chairman under Article 5(2) of the 2015 Order, the Board should take all reasonable steps to ensure that its report is factually accurate and complete including consulting the external auditor where appropriate.
- 14. Where there is a disagreement between the C&AG and the independent members on the wording of the report, both sides will first try to reach a consensus. If this is not possible, any comments of the C&AG shall be appended to the report.
- 15. A majority of the independent members must approve the report before it is issued. It is the Chairman's responsibility to ensure that the report is sent to the Chief Minister and the PAC Chairman in an appropriate manner.

Processes for undertaking specific functions, and conflict resolution

- 16. Under the 2015 Order, the Board:
 - a) must, when consulted under Article 19(2) of the 2014 Law, advise the PAC Chairman upon the appointment of auditors to audit the accounts of the C&AG (Article 5(3));
 - b) must review any estimate before it is provided, for the purposes of Article 24C of the Public Finances Law 2005 (as amended), by the C&AG to the PAC Chairman (Article 5(4));
 - c) may comment upon any estimate reviewed under Article 5(4) and request that its comment is included by the C&AG in the estimate when it is provided to the PAC Chairman (Article 5(5));
 - d) must review the audited accounts of the C&AG before a copy of them is provided by the C&AG to the Greffier of the States under

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Article 19(3) of the 2014 Law and request that its comments are included with the copy when it is so provided (Article 5(6));

- e) may prepare an assurance report upon the annual expenses of the C&AG and request that the report is included with the copy of the audited accounts provided under Article 19(3) of the 2014 Law (Article 5(7));
- f) if requested by the C&AG, must advise upon and participate in, the recruitment of the most senior officer, employee or agent of the C&AG (Article 5(8)(a));
- g) must keep under review the remuneration of the most senior officer, employee or agent of the C&AG and may make recommendations regarding such remuneration (Article 5(8)(b)); and
- h) may advise upon the terms and conditions of employment or engagement of the most senior officer, employee or agent of the C&AG (Article 5(8)(c)).

17. The following paragraphs set out how the Board's specific functions under Articles 5(3) to 5(7) and 5(8)(b) and (c) will be exercised.

Appointment of auditors

18. When consulted by the Chairman of the PAC on the appointment of an external auditor (as required by Article 19(2) of the Comptroller and Auditor General Law 2014), the Board will consider and advise on the following matters:

- a) the scope of the auditor's terms of engagement and adequacy of budget;
- b) the proposed duration of appointment; and
- c) whether the proposed appointment would create any conflicts, including whether it would be appropriate to re-appoint the existing auditor if that is what is proposed.

Estimates

19. The C&AG will provide the independent members with a draft of any estimate and supporting information requested by the PAC Chairman for transmission to the Minister in accordance with Article 10 of the Public Finances (Jersey) Law 2019. This should where feasible be provided at least one month before it is required by the PAC Chairman. The Board Chairman will determine whether the Board should meet to consider the estimate or consider it virtually. Where the Chairman determines that a meeting is appropriate, the Secretary will endeavour to arrange for the Board to meet to consider the estimate at least two weeks before the submission date.

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20. In reviewing the estimates and other information in accordance with Article 5(4), the Board will focus predominantly on submissions to support the Government Plan. In considering the estimates and other information, the Board will respect the operational independence of the C&AG. It is for the C&AG to decide on his or her work programme and the resources needed to carry it out. This need not prevent the Board from commenting on the projected administration/overhead costs of running the office and the resources required for the effective operation of the Board. In making its own comments under Article 5(5), the Board will take account of any views expressed by the C&AG.
21. The Board Chairman will prepare a draft of any comments to be made under Article 5(4) immediately following the Board's consideration of the estimates and other information. Where there is a disagreement between the C&AG and the independent members on the wording of the comments, both sides will first try to reach a consensus. If this is not possible, any response to the comments by the C&AG shall be appended to the Board's comments.
22. A majority of the independent members must approve the comments before they are issued. Under Article 6(2), it is the C&AG's responsibility to ensure that the Board's comments (incorporating any response by the C&AG) are added to the estimates and other information before it is submitted to the PAC Chairman.

Audited accounts

23. As soon as the audit of the accounts is complete but before they are signed off by the auditor, the C&AG will provide the independent members with a copy of the accounts together with the external auditor's proposed opinion, any report made by the auditor to those charged with governance (i.e. the C&AG), and any other relevant management information.
24. The Chairman and the Board Secretary will endeavour to arrange for the Board to meet to review the accounts on completion of the audit but before signature. The C&AG and the Board Secretary will endeavour to ensure that the external auditor is available if requested by the Board to discuss with the Board at that meeting the accounts, the proposed audit opinion and any report.
25. If the auditor's opinion on the accounts has been or is likely to be qualified (including a qualification reporting a limitation on the scope of the audit) the Board will consider using its power to report under Article 5(2)(b) and/or comment under Article 5(6)(b). This does not preclude the Board from reporting or commenting in the absence of such a qualification.
26. If the Board decides to report under Article 5(2)(b), the arrangements in paragraphs 13 to 15 above will apply.

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27. The Board Chairman will prepare a draft of any comments to be made under Article 5(6)(b) following the Board's consideration of the Accounts. In doing so, the Chair will consult with the external auditor with a view to ensuring that any references to the audit or the audit opinion are fairly stated.
28. Where there is a disagreement between the C&AG and the independent members on the wording of the comments, both sides will first try to reach a consensus. If this is not possible, any response by the C&AG to the comments shall be appended to the comments.
29. A majority of the independent members must approve the comments before they are issued. Under Article 6(2), it is the C&AG's responsibility to ensure that the Board's comments (incorporating any response by the C&AG) are added to the final Accounts before submission to the Greffier of the States.

Expenses of the C&AG

30. The Board will examine the C&AG's expenses submitted to each meeting in accordance with Appendix 2 of the Standing Orders. The Board will also, consider the adequacy and reasonableness of the rules applicable to the C&AG for claiming travel and substance expenses and for giving and receiving hospitality.
31. If the Board decides to prepare an assurance report on the C&AG's expenses for inclusion with the Annual Accounts under Article 5(7), the Secretary will prepare a draft. Prior to issuing an assurance report the Board may agree that an independent member of the Board should undertake procedures to provide evidence to support the assurance report.
32. Where there is a disagreement between the C&AG and the independent members on the wording of the report, both sides will first try to reach a consensus. If this is not possible, any response by the C&AG to the comments shall be appended to the report.
33. A majority of the independent members must approve the report before it is issued. It is the C&AG's responsibility to ensure that the report is included with the accounts when transmitted to the Greffier of the States.

Remuneration and terms and conditions of employment or engagement of the most senior officer, employee or agent of the C&AG

34. In reviewing the remuneration of the most senior officer, employee or agent, and advising on terms and conditions of employment or engagement, the Board will endeavour to compare the duties of the post to those of comparable positions in Jersey and elsewhere. The Board will also take account of the qualifications and experience required of the post holder and the remuneration of the CA&G.

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35. To assist the Board in this aspect of its work, the C&AG will, at the request of the Board, commission any necessary research to enable such comparisons to be drawn. In making any such request, the Board will have regard to the views of the C&AG in respect of the cost of such research and level of resources available.

Complaints against members of the Board of Governance

36. Any complaint against a member of the Board of Governance shall be considered following the Complaints Policy for the Office of the Comptroller and Auditor General with appropriate adaptations:

- a) any complaint against the Chairman shall be considered by the Comptroller and Auditor General; and
- b) any complaint against another independent member of the Board shall be considered by the Chairman.

37. The members of the Board of Governance are subject to the Whistleblowing Policy for the Office of the Comptroller and Auditor General.

Review of this Code

38. In accordance with the Board's Standing Orders, the Board shall undertake an annual review of this Code.