

Oversight of Arm's Length Bodies

30 July 2024

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Report by the Comptroller and Auditor General: 30 July 2024
This report has been prepared in accordance with Article 20 of the Comptroller and Auditor General (Jersey) Law 2014

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Summary

Introduction

1. Modern government relies on delivery of services not only directly by Ministerial departments but indirectly through other bodies. Such bodies may be:
 - controlled by government
 - established by government
 - substantially funded by government; and/or
 - given a statutory power to levy charges to cover some or all of their costs.
2. There are good reasons why government may determine that it is more appropriate to establish or to fund bodies rather than undertaking activities directly. However, the establishment or funding of such Arm's Length Bodies (ALBs) is not without potential costs and risks.
3. The establishment or funding of an ALB does not relieve the States of Jersey from a responsibility for ensuring that good governance is being demonstrated, effective internal control is in place and value for money is being secured.
4. Within this report I refer to both ALBs and Arm's Length Organisations (ALOs). ALB has been used to capture the entities that I consider to be ALBs as defined in paragraph 8. ALOs has been used to capture the entities that the Government of Jersey currently classifies ALOs within the Public Finances Manual (PFM).

Key Findings

Overall arrangements

5. The Government has established an Arm's Length Bodies Oversight Board (ALBOB). ALBOB has the potential to act as a coordination body across the landscape of ALBs and to ensure that consistent approaches are adopted where appropriate across Government. In order to achieve this, the terms of reference, work plan and membership of ALBOB need to be reviewed.
6. It is not appropriate for the same governance and accountability arrangements to apply to all of the identified categories of ALBs. There are significant differences in the mechanisms available to Government to ensure that different categories of ALBs operate in a way that meets policy objectives.

7. Some of the work of ALBOB has sought to standardise oversight processes and procedures across all categories of ALBs. A more focussed definition and consideration however are required to support a more effective overall approach.
8. In my view there is merit in limiting a revised definition of ALBs to the following three categories of entities:
 - States owned entities
 - States established delivery entities; and
 - States established independent bodies and office holders.
9. Fewer than 40 entities would fall within this revised definition. Clearly defined arrangements in respect of governance, accountability and value for money could then be developed for each of the three categories of entity.

Arrangements to consider the need for ALBs

10. Arrangements are not in place to ensure that all ALBs (including partly-owned entities) are subject to periodic assessments as to whether the entity remains the optimal route to service delivery. Most wholly owned entities are subject to periodic reviews and some States established delivery entities are subject to reviews as part of annual grant appraisal processes. There are no requirements for periodic structured reviews of independent bodies and officer holders either to be undertaken by the States or by the bodies or office holders themselves. There is a risk that opportunities to improve effectiveness and value for money of ALBs are missed if systematic periodic assessments are not undertaken to consider whether the entity remains the optimal route to service delivery.

Governance arrangements

11. The overall governance arrangements for States owned entities have improved since previous Comptroller and Auditor General (C&AG) reports.
12. For entities defined by Government as Arm's Length Organisations (ALOs), including States established delivery entities, my review has identified that the governance arrangements vary by sponsoring Government department and that there is scope for improvement in some areas.
13. I have also identified scope for the development of consistent governance and accountability arrangements that could apply to all independent bodies and office holders or to groups of them, except where there are compelling reasons that they should not apply.

Accountability arrangements

14. I have identified opportunities to enhance accountability arrangements for most categories of ALBs. These include the appointment of Accountable Officers within each ALB to ensure greater accountability and the need for greater clarity on which provisions of the PFM apply to the entity.

Delivery of value for money

15. During the course of my work I have identified a number of potential opportunities for improving value for money. These include:
 - the establishment of and monitoring of better Key Performance Indicators (KPIs) for ALBs relevant to Government policies, objectives and risks
 - better co-ordination between Government departments and States owned entities (including Andium Homes, States of Jersey Development Company (SoJDC) and Ports of Jersey) for the provision of:
 - social housing for purchase
 - property management of Health and Community Service (HCS) staff accommodation
 - housing policy; and
 - land use policy
 - the implementation of a remuneration policy framework across all categories of ALBs; and
 - potential savings that could be achieved by rationalising common functions between ALBs (such as the opportunity being explored by the Economy Department in respect of certain entities) and joint procurement contracts for common items of expenditure.

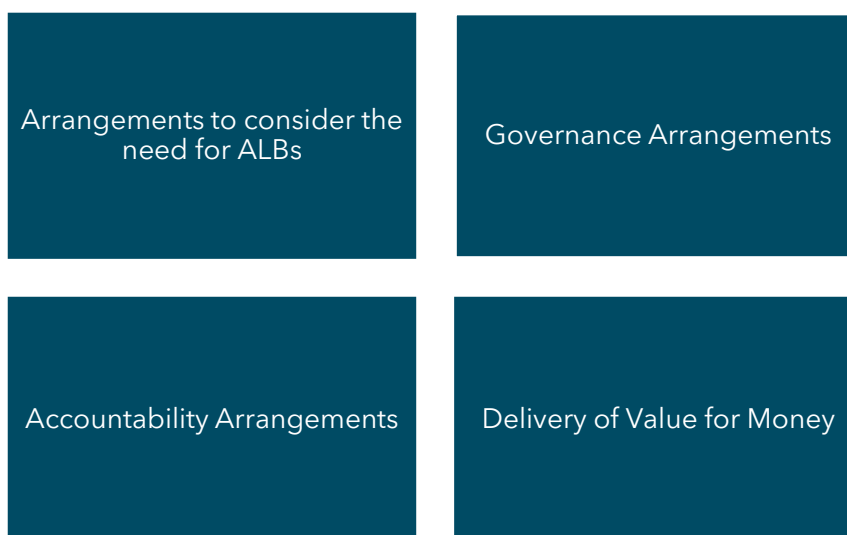
Conclusions

16. ALBs can be a valuable part of the States' framework for service delivery, regulation and resilience. Effective oversight, governance and accountability arrangements are however essential in order to ensure ALBs deliver in ways which meet overall objectives, including demonstrating value for money.
17. The current arrangements need to be strengthened in order to ensure that the opportunities to enhance accountability and value for money are realised in practice.

Objectives and scope of the review

18. The review has evaluated the effectiveness of arrangements for the four areas of oversight of ALBs shown in Exhibit 1.

Exhibit 1: Areas considered in this review



19. The review has included consideration of the specific arrangements for oversight across a sample of six relevant entities:
- States controlled entities (where the States are a majority shareholder) - Andium Homes, Jersey Post and Jersey Development Company; and
 - ALOs that receive significant funding from the States of Jersey - Jersey Finance, Jersey Employment Trust (Employ Jersey) and Citizens Advice Jersey.
20. Appendix One contains more information on the Audit Approach adopted in this review.
21. Governance, funding and operation of ALBs have been considered to different extents in previous C&AG reviews. The scope of this review included a follow up of all previous relevant C&AG recommendations from the following reports:
- *The States as a Shareholder - Jersey Telecom* (July 2014)
 - *Oversight of Arm's Length Organisations* (June 2017)
 - *Arm's Length Organisations - Visit Jersey* (December 2018)
 - *The States as a Shareholder - Follow Up* (March 2019)

- *Remuneration of Board Members* (October 2019)
 - *States of Jersey Development Company* (June 2020); and
 - *Governance and Accountability of Independent Bodies and Office Holders: A Thinkpiece* (December 2022).
22. Appendix Two contains more information on the extent to which previous recommendations have been implemented.
23. The review has not considered the effectiveness of the commissioning of services from ALOs. My report *Commissioning of Services* was published on 22 July 2024.
24. The review has also not considered fully the payment of grants and subsidies to ALOs. I am currently undertaking a follow up review of grants and subsidies.

Detailed findings

The landscape of ALBs in Jersey

25. The States of Jersey have choices about the way in which policies and public services are delivered in Jersey. In broad terms the States of Jersey use the following models to deliver policy objectives and to provide services to Islanders:
- direct provision of services by Government and Non-Ministerial Departments
 - provision of services by States owned or States controlled entities (with or without financial support from the States in the form of grants)
 - provision of services by States established independent entities (with or without financial support from the States)
 - provision of services by external on-Island entities with financial support in the form of grants or subsidies; and
 - provision of services by external on-Island and off-Island entities bought through contracts for services awarded following competitive tendering exercises.
26. The Government has established an Arm’s Length Bodies Oversight Board (ALBOB). ALBOB identified a wider list of over 130 entities that it considered were ALBs. The list however is inconsistent, contains some duplicate entries and excludes some entities. Exhibit 2 shows the categories of bodies included in the ALBOB list. ALBOB is working to reduce and clarify the list that it uses.

Exhibit 2: Categories of entities identified by ALBOB as ALBs

| Category | Number of entities included | Comments |
|-----------------------|-----------------------------|--|
| States owned entities | 11 | The list includes six entities listed in Schedule 2 of the Public Finances (Jersey) Law 2019. The list includes one wholly owned subsidiary not included in Schedule 2 (Government of Jersey London Office) and four partly owned subsidiaries (Bureau des Îles Anglo-Normandes, Channel Islands Brussels Office, Jersey Water and Jersey Electricity). |

| Category | Number of entities included | Comments |
|---|-----------------------------|--|
| States established delivery entities | 6 | This includes one entity (Jersey Safety Council) that is not listed as an ALB in the PFM. Other entities included in this category are: Digital Jersey, Jersey Business, Jersey Consumer Council, Jersey Finance and Visit Jersey. |
| Independent bodies and office holders | 20 | I considered the arrangements in respect of 16 of these bodies in my Thinkpiece <i>Governance and Accountability of Independent Bodies and Office Holders</i> (December 2022). Other entities included in this category are the Complaints Panel, the Commissioner for Standards, the Jersey Resolution Authority and Statistics Jersey. |
| Grant funded entities not established by the States | 33 | This includes six entities listed as ALBs in the PFM and 27 entities not listed as ALBs in the PFM, some of which received funding of more than £75,000 in 2023. |
| Legal and quasi legal entities | 23 | This includes one entity listed as an ALB in the PFM. |
| Charitable and other funds | 7 | Including the two public sector pension funds and the Jersey Dental Scheme as well as the Public Lotteries Board and certain charitable funds held by the States. |
| Non-ministerial departments | 9 | These departments are required to adhere to the PFM. |
| Parishes and Comité des Connétables | 13 | |
| Panels and partnerships that are not entities | 11 | These include a variety of panels (such as the Fiscal Policy Panel) and partnerships (such as the Jersey Safeguarding Board) that ALBOB considers are not ALBs as such. It is not however a complete list of all such panels and boards. |

Source: Jersey Audit Office analysis of the Government of Jersey Arm's Length Bodies Oversight Board papers

27. It is not appropriate for the same governance and accountability arrangements to apply to all of the categories of entities listed in Exhibit 2. There are also significant differences in the mechanisms available to Government to ensure that different categories of entity operate in a way that meets policy objectives.

28. Some of the work of ALBOB has sought to standardise oversight processes and procedures across all of the types of entities listed in Exhibit 2. A more focussed definition and consideration however is required to support a more effective overall approach.
29. For the purposes of the Public Finances Manual (PFM), an Arm's Length Organisation (ALO) is 'an organisation substantially funded by, or economically dependent on, the States and/or Government of Jersey which fulfils a role or function the States and/or Government of Jersey would otherwise perform and is bound by a written agreement that governs the relationship'.
30. The PFM definition does not extend to organisations which receive funding from the Government or States of Jersey of less than £75,000 per year. The PFM states that for guidance purposes the following entities fall into the definition of ALOs:
- Citizens Advice Jersey
 - Digital Jersey
 - Jersey Advisory and Conciliation Service
 - Jersey Arts Centre Association
 - Jersey Arts Trust
 - Jersey Business
 - Jersey Consumer Council
 - Jersey Employment Trust
 - Jersey Finance
 - Jersey Heritage Trust
 - Jersey Opera House
 - Jersey Sport; and
 - Visit Jersey.
31. In my view there is merit in limiting a revised definition of Arm's Length Bodies (ALBs) to three categories of entities. Clearly defined arrangements in respect of governance, accountability and value for money could then be developed for each of these three categories of ALBs. This would result in a more focussed approach.
32. Excluding legal and quasi legal entities, the States have established 38 ALBs that fall within three broad categories:
- States owned entities - defined as entities that are wholly or partly owned by the States. There are currently 11 entities who fall within this category
 - States established delivery entities - defined as entities established by the States for the purpose of providing services to individuals and businesses. There are currently six entities who fall within this category; and

- States established independent bodies and office holders – defined as entities established by the States but that are required by their nature to operate on an independent basis from Government. There are currently 20 entities who fall within this category excluding legal and quasi legal entities.

33. Exhibit 3 summarises the 38 entities that fall within each of these three broad categories of ALBs.

Exhibit 3: ALBs established by the States

| States owned entities | States established delivery entities | States established independent bodies and office holders |
|--------------------------------------|--------------------------------------|--|
| Andium Homes | Digital Jersey | Care Commission |
| Bureau des Îles Anglo-Normandes | Jersey Business | Channel Islands Financial Services Ombudsman |
| Channel Islands Brussels Office | Jersey Consumer Council | Charity Commissioner |
| Government of Jersey London Office | Jersey Finance | Commissioner for Children and Young People |
| Jersey Electricity | Jersey Safety Council | Commissioner for Standards |
| Jersey Overseas Aid Commission* | Visit Jersey | Competition Regulatory Authority |
| Jersey Post | | Complaints Panel |
| Jersey Telecom | | Data Protection Authority |
| Jersey Water | | Director of Civil Aviation |
| Ports of Jersey | | Financial Services Commission |
| States of Jersey Development Company | | Gambling Commission |
| | | Independent Prison Monitoring Board |
| | | Jersey Appointments Commission |
| | | Jersey Resolution Authority |
| | | Office of the Comptroller and Auditor General |
| | | Official Analyst |
| | | Police Authority |
| | | Police Complaints Authority |
| | | Statistics Jersey |
| | | Statistics User Group |

* included as a States owned entity due to being a specified organisation under the Public Finances (Jersey) Law 2019

Source: Jersey Audit Office analysis

34. Entities that are currently included in the PFM definition of ALOs purely due to being a grant recipient would fall within the PFM requirements for grants and subsidies and/or arrangements for commissioning of services. I have undertaken a separate review of commissioning of services and am currently undertaking a review of grants and subsidies that will consider the governance, accountability and internal control frameworks for such arrangements.
35. The entities that would be removed from the current PFM definition of ALOs would be:
- Citizens Advice Jersey
 - Jersey Advisory and Conciliation Service
 - Jersey Arts Centre Association
 - Jersey Arts Trust
 - Jersey Employment Trust
 - Jersey Heritage; and
 - Jersey Sport.

Recommendation

- R1** Introduce a new definition of Arm's Length Bodies to include only States owned entities, States established delivery entities and States established independent bodies and office holders.

Arrangements to consider the need for different types of ALBs

36. High performing organisations consider:
- the extent to which the work of ALBs supports organisational objectives
 - the continuing need for the activity performed by an ALB; and
 - if continuing need is established, whether an ALB (as opposed to, for example, direct provision or contracting out) represents the most appropriate means for performing the activity.

States owned entities

37. The PFM notes that Schedule 2 entities under the Public Finances (Jersey) Law 2019 are guided by specific arrangements. These include:
- the ability for the Principal Accountable Officer to appoint and determine the functions of the Accountable Officer for these entities, and to ensure the propriety and regularity of their finances; and
 - Memoranda of Understanding (MoUs) (and associated documents) in place, setting out their relationship with the States of Jersey. The PFM further sets out that these documents should give consideration to whether, where relevant, the entity's own policies and procedures should conform to the requirements of the PFM.
38. For these Schedule 2 States owned entities, the MoUs require an assessment to be undertaken at least every three years as to whether the entity remains the optimal route to service delivery. For the entities considered as part of my review these assessments were undertaken in 2022 as part of the review and refresh of the MoUs in May 2022.
39. Schedule 2 includes six of the seven wholly owned States owned entities. Arrangements are not in place to ensure that all States owned entities (including partly-owned entities) are subject to periodic assessments as to whether the entity remains the optimal route to service delivery.

States established delivery entities

40. The PFM requires there to be an Accountable Officer within Government for each entity defined as an Arm's Length Organisation (ALO). This includes most States established delivery vehicles and the PFM places specific requirements on those Accountable Officers within Government. These requirements include documented arrangements to be in place for a number of matters including an

annual assessment of whether an ALO *'remains the optimal route to service delivery given current and or expected performance against alternative modes'*.

41. The PFM definition of ALOs includes a mixture of some bodies that have been established as States delivery entities and some grant funded bodies. The PFM definition also excludes one smaller States established delivery entity - the Jersey Safety Council. The same requirements are therefore not in place for all States established delivery entities.
42. The section in the PFM for ALOs provides for Accountable Officers of sponsor Departments to elect to treat a grant receiving body as an ALO and apply the stricter requirements of the ALO section (as compared to the Grants section) even if the body does not meet the full definition of an ALO set out in the PFM.
43. It is difficult for an Accountable Officer to meet this requirement of the PFM where a body is grant funded rather than established by the States as a delivery entity. The continuation or not of grant funding is the mechanism available to the States rather than making decisions about the existence or not of the ALO. A revised definition of ALBs would remove grant funded entities. The governance, accountability and control mechanisms in respect of these entities would be operated through the grants and subsidies requirements alone. I am currently undertaking a review of grants and subsidies arrangements and will make further recommendations in respect of those arrangements as part of that review.
44. More generally the review of the need for an ALO established by the States is currently linked to the annual grant appraisal process. I saw evidence that the Economy Department, as part of the annual grant assessment process, reviews the on-going need for individual ALOs it has accountability for. This is good practice.
45. There is a risk however that annual reviews of individual ALOs do not consider sufficiently the opportunities for co-ordination and amalgamation of activities across ALOs. The Economy Department has identified the risk and commenced a more holistic review of four ALOs to consider opportunities for savings.
46. There would however be merit in revising the PFM to require structured periodic reviews (for example every five years) alongside annual assessments of States established delivery entities. Such a requirement would help to drive more structured and strategic considerations of value for money across ALBs.

States established independent bodies and office holders

47. The applicability of PFM requirements to States established independent bodies and office holders is unclear and inconsistent in practice. There are no requirements for periodic structured reviews to be undertaken by the States or by the bodies or office holders themselves.

Recommendation

- R2** Update the Public Finances Manual to require structured reviews of all Arm's Length Bodies (comprising States owned entities, States established delivery entities and States established independent bodies and office holders) on a periodic basis (such as every five years).

Work planned that should be prioritised

- P1** Finalise the current review of ALOs being undertaken by the Economy Department.

Governance arrangements

48. High performing organisations:
- set clear corporate standards for the governance of ALBs; and
 - take reasonable steps to satisfy themselves that those arrangements are operating as intended and achieving their intended outcome.

ALBOB

49. My predecessor's report *Oversight of Arm's Length Organisations (ALOs)* (June 2017) included several recommendations for improving the arrangements for the corporate oversight of ALBs. ALBOB was established in 2020 specifically aimed at the oversight and coordination of ALBs. Initial membership included the Chief Executive, the then Chief of Staff, the Greffier and a number of Accountable Officers, with many senior staff in attendance.
50. The initial ALBOB agendas were clearly set out with a supporting work plan and minutes produced from each meeting. However, the early momentum has been lost and some of the actions proposed have not been delivered to date. Furthermore, the frequency of meetings, attendance and the delivery of the work programme have been inconsistent, with particularly long periods between meetings in 2023.
51. Work has been undertaken at the end of 2023 to review the ALBOB work plan and to incorporate work on categorisation of all bodies, using a case study approach, and to test whether some organisations could share some back office and support functions.
52. ALBOB has the potential to act as a coordination body across the landscape of ALBs and to ensure that consistent approaches are adopted where appropriate across Government. In order to achieve this, the terms of reference, work plan and membership of ALBOB need to be reviewed.

States owned entities

53. The governance arrangements for wholly owned States owned entities listed in Schedule 2 of the Public Finances (Jersey) Law 2019 (excluding Jersey Overseas Aid Commission) are set out in MoUs. These are supplemented by regular meetings between the entities and Government. These entities often do not receive money from the Government but are expected to make contributions including for example dividends, social and community contributions along with contributions to infrastructure and the public realm.

54. Shareholding arrangements are set out in the MoU. Section 9.2.8 sets out what should be included in an operational budget within the Strategic Business Plan (SBP). This operational budget is required to incorporate an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the States as shareholder.
55. The overall governance arrangements for these States owned entities have improved since previous C&AG reports. New comprehensive MoUs were signed in May 2022 and were published to the States Assembly. My sample based review has not identified any areas where the requirements of the MoUs have not been adhered to.
56. The Shareholder Relations team completes an annual governance workbook. The Government Head of Risk attends two of the four quarterly meetings (Q2 and Q4) to assist with risk management from the Government perspective and meetings are well documented. There remains scope for improvement in the development of KPIs which are still mainly driven by the SBPs rather than the States objectives of ownership. The Head of Risk has recommended incorporating KPIs relating to risk and where appropriate, linked to risk appetite and levels of service.

Entities currently defined as ALOs (including States established delivery entities)

57. For entities defined by Government as ALOs my review has identified that the governance arrangements vary by Government department. I have considered arrangements for a sample of bodies that fall within the remit of the Economy Department and Customer and Local Services (CLS).
58. I reviewed the arrangements for Jersey Finance which is funded by the Economy Department. A comprehensive partnership agreement was signed in 2020 for the four year period 2020-2023, which has been extended for one year pending the outcome of a Government review. My review identified that the requirements of the partnership agreement are generally adhered to. The Accountable Officer attends regular partnership meetings and signs off the grant appraisal following the completion of a governance checklist by the Chief Executive of Jersey Finance.
59. I also followed up the recommendations relating to oversight in my predecessor's report on Visit Jersey (December 2018). A new partnership agreement was signed in July 2022. This includes a revised purpose linked to aims and objectives of the Government Plan 2022-2025 and the Common Strategic Policy 2018-2022. The 2024 business plan refers to scoping out the agreed deliverables from the Visitor Economy Strategy. My review identified that the requirements of the partnership agreement are generally adhered to.
60. I identified two areas where arrangements could be improved within the Economy Department:

- the development of KPIs relevant to Government objectives and to assist in the grant appraisal of whether value for money is being obtained; and
 - using the expertise of the Government Head of Risk to advise on risk management either through periodic attendance at senior leadership team meetings or at partnership meetings.
61. I reviewed the governance arrangements for Jersey Employment Trust (JET) and for Citizens Advice Jersey (CAJ), both funded by CLS and defined as ALOs in the PFM. Having looked at arrangements I consider that these organisations should not be considered to be ALBs but should instead be treated as organisations from which services are commissioned or organisations in receipt of grants.
62. A contract for services is agreed with JET containing KPIs for service delivery but the governance arrangements for ALOs were not applied, despite JET being referenced as such in the PFM. In addition, I did not see compelling evidence that all of the KPIs contained in the contract for services were being achieved and monitored by CLS.
63. CAJ receives a letter notifying it of the grant award for the year. This award is not linked to any KPIs for service delivery.
64. More generally across Government an ALO Working Group established by ALBOB in 2023 has produced a set of governance templates. These include a grant agreement and user guide, a revised governance, risk and compliance checklist and a pre-payment checklist.

Independent bodies and office holders

65. In my Thinkpiece *Governance and Accountability of Independent Bodies and Office Holders* (December 2022) I concluded that the current arrangements for the governance and accountability of independent bodies and office holders are fragmented.
66. The States have not implemented the agreed Areas for Consideration that I identified. Therefore there remain, in some instances, identifiable weaknesses in arrangements that could compromise the governance and accountability of independent bodies and office holders.
67. As many of the elements of good governance and accountability are common to all or most independent bodies and office holders, there is scope for development of arrangements that would apply to all independent bodies and office holders or to groups of them, except where there are compelling reasons that they should not apply.

68. My Thinkpiece *Governance and Accountability of Independent Bodies and Office Holders* (December 2022) included the following examples where arrangements should be developed:
- Subject to consideration of international norms for the relevant independent bodies, developing arrangements for:
 - greater consistency in terms of office, other than where a compelling case for a longer or shorter term can be justified
 - flexibility in terms of office for members of all independent bodies to facilitate Board continuity; and
 - maximum periods for membership of independent bodies to protect against over familiarity.
 - Transparent allocation of funding for the independent body or office holder, with clear accountability for the application of the funding allocated resting with the independent body or office holder. Where independent bodies and office holders operate within the States of Jersey, arrangement should include a clearly identified, separate revenue head of expenditure.
 - Specification of minimum standards for the responsibilities of an Audit Committee or similar body, its composition, frequency of meeting and reporting responsibilities. In respect of the smaller bodies and office holders, establishing a separate Audit Committee may be disproportionate to the benefits arising. However, there could be opportunities for the remit of an Audit Committee or similar body to cover more than one of the independent bodies and office holders.
 - Adopting a structured approach to determining whether independent bodies sitting outside the States of Jersey are subject to internal audit, taking into account:
 - the cost of such provision
 - the expenditure of the body; and
 - risk factors relevant to the body.

Recommendations

- R3** Revise the terms of reference for ALBOB so that it becomes a cross Government working group to develop consistent approaches to the oversight of ALBs.
- R4** Develop performance indicators for ALBs based on States policy objectives including risk appetite, service performance measures and wider policy and value for money objectives.
- R5** Set clear, and where appropriate consistent, standards of governance for independent bodies and office holders based on the areas for consideration identified in my Thinkpiece *Governance and Accountability of Independent Bodies and Office Holders* (December 2022).

Area for consideration

- A1** Invite the Head of Risk to attend Departmental Senior Leadership Team meetings on a periodic basis to advise on risk management in relation to ALBs.

Accountability arrangements

69. High performing organisations:

- set clear expectations for ALBs
- translate those expectations into measurable activities, outputs and outcomes; and
- monitor performance in delivering activities, outputs and outcomes and take appropriate action.

Applicability of the Public Finances Manual to ALBs

70. The PFM sets out specific requirements in respect of:

- Accountable Officers in Specified Organisations listed in Schedule 2 of the Public Finances (Jersey) Law 2019
- specific States Owned Entities
- Jersey Overseas Aid Commission
- entities defined by the PFM as ALOs; and
- the Office of the Comptroller and Auditor General.

71. I have identified opportunities to enhance accountability arrangements for a number of entities. Exhibit 4 summarises the applicability of and gaps in the provisions of the PFM in respect of the entities listed in Exhibit 3.

Exhibit 4: Applicability and gaps in PFM provisions relating to States established ALBs

| PFM applicability | Entities | Opportunities for enhancement |
|---|--|---|
| States owned entities requirements including specific entity Accountable Officer requirements | Andium Homes Jersey Post Jersey Telecom Ports of Jersey States of Jersey Development Company | Appointment of Accountable Officers within the entities |

| PFM applicability | Entities | Opportunities for enhancement |
|--|---|---|
| Specific chapter of PFM and/or specific head of expenditure | Jersey Overseas Aid Commission | None identified |
| | Office of the Comptroller and Auditor General Official Analyst | None identified |
| States owned entities requirements only (excludes entity Accountable Officer requirements) | Jersey Electricity Jersey Water | Introduce provisions for Accountable Officers within the entities and enhance other specific provisions |
| ALO requirements | Digital Jersey Jersey Business Jersey Consumer Council Jersey Finance Visit Jersey | Introduce provisions for Accountable Officers within the entities and enhance other specific provisions |
| Entities falling within other States heads of expenditure with no separate requirements | Care Commission Charity Commissioner Commissioner for Children and Young People Commissioner for Standards Complaints Panel Director of Civil Aviation Independent Prison Monitoring Board Jersey Appointments Commission Police Authority Police Complaints Authority Statistics Jersey Statistics User Group | Introduce provisions for Accountable Officers within the entities and enhance other specific provisions |
| Entities with no PFM requirements | Bureau des Îles Anglo-Normandes Channel Islands Brussels Office Government of Jersey London Office | Introduce specific provisions in respect of these entities |
| | Jersey Safety Council | Introduce provisions for Accountable Officer within the entity and enhance |

| PFM applicability | Entities | Opportunities for enhancement |
|-------------------|--|---|
| | | other specific provisions |
| | Channel Islands Financial Services Ombudsman Competition Regulatory Authority Data Protection Authority Financial Services Commission Gambling Commission Jersey Resolution Authority | Introduce provisions for Accountable Officers within the entities and enhance other specific provisions |

Source: Jersey Audit Office analysis

States owned entities

72. For most States owned entities there are clear requirements in the PFM including provisions in respect of Accountable Officers within the States owned entities. The PFM refers to the ability of the Principal Accountable Officer to appoint and determine the functions of the Accountable Officer (AO) for entities listed in Schedule 2 of the Public Finances (Jersey) Law 2019. Where such an AO is appointed they are required to be an employee of the entity concerned. No AO has been appointed to any States owned entity other than Jersey Overseas Aid Commission (which has its own head of expenditure within the States of Jersey).
73. The provisions for two partly owned entities (Jersey Electricity and Jersey Water) do not include the same ability of the Principal Accountable Officer regarding the appointment of AOs within the entities. The PFM does not include any specific requirements in respect of three entities - Bureau des Îles Anglo-Normandes, Channel Islands Brussels Office and the Government of Jersey London Office.
74. While the Boards of States owned entities are responsible and accountable for the entity, there are risks associated with not having AOs appointed within States owned entities. These include:
 - the Chief Executive of the entity is unaware of the proper course of action to take if they are directed by the Council of Ministers and/or Government of Jersey, Minister, Chair, Board Member and/or the Principal Accountable Officer to take action which they feel conflicts with their responsibilities and accountabilities; and

- the entity may undertake a course of action that is outside the risk appetite of the States or Government of Jersey leading to reputational damage for the entity and the States or Government of Jersey.
75. The Treasury and Exchequer Department is responsible for Government's relationships with States owned entities. Many States owned entities do not receive any funding from the Government and are governed by an MoU between the Government and the respective entity's Board. Updated MoUs have been in place since May 2022 for wholly owned entities and will be formally reviewed between the parties from time to time but no less frequently than every three years.
76. While governance and accountability arrangements for States owned entities are generally well overseen and managed by the Head of Shareholder Relations, there are opportunities for improvement including:
- the appointment of AOs within each States owned entity to ensure greater accountability and clarity on which provisions of the PFM apply to the entity; and
 - developing more KPIs related to the achievement of States objectives.
77. SBPs are required for all States owned entities covering a three year period with annual updates and annual budgets. These are submitted to the Government shareholder function for review, discussion and subsequent Ministerial approval. There is an expectation that SBPs should reflect key policy objectives relevant to the specific entity. For example, in connection with housing, there is an expectation that housing policy objectives set by the Minister for Housing should be reflected in a number of SBPs including Andium Homes and States of Jersey Development Company (SoJDC). The SBP is required to record a summary consultation with relevant policy leads. I did not however find much evidence of such consultation being recorded in SBPs. Schedule 2 paragraph 9.5 of the MoU does require the formal support of Policy Leads as appropriate prior to shareholder approval.
78. The timetable for preparing and submission of SBPs broadly follows the accounting year. The Quarter 4 meetings between the entity and the Shareholder function include a standard agenda item of 'New SBP presentation or annual SBP update'. The MoU then requires formal approval of the SBP to be notified to the entity within six weeks of the quarterly update meeting at which it is presented. While significant work had been evidenced in preparing the SBPs, there have been some delays in signing off SBPs. I acknowledge that the political changes which have taken place in early 2024 have contributed to these delays. However it is not best practice for a Board to be formally agreeing a SBP many months into the year to which it relates.

79. States owned entities have formal meetings every three months to discuss progress against the SBP and any other issues. These meetings are held with the Treasury and Exchequer Department and follow a standard format and are formally minuted. I have examined those relating to Andium Homes, SoJDC, Jersey Post and JT and found them to be operating effectively.

Entities currently defined as ALOs (including States established delivery entities)

80. ALOs are typically established by, and either substantially funded or economically dependent on, the States of Jersey. Some ALOs are given statutory powers to levy charges for services to cover part or all of their expenditure.
81. The overriding consideration in any ALO arrangement should be the achievement of the States' strategic priorities in the most effective, efficient and economic manner, ensuring the imposition of robust controls over governance including probity and regularity in the use of public funds.
82. The PFM includes specific provisions in the section on ALOs in respect of five of the six States established delivery entities. However these provisions do not include the appointment of an AO within the entity. The PFM does not include any specific provisions in respect of the Jersey Safety Council. While the Boards of these entities are responsible and accountable for the entity, there are risks associated with not having AOs appointed within States established delivery entities. These include:
- the Chief Executive of the entity is unaware of the proper course of action to take if they are directed by the Council of Ministers and/or Government of Jersey, Minister, Chair, Board Member and/or the Principal Accountable Officer to take action which they feel conflicts with their responsibilities and accountabilities; and
 - the entity may undertake a course of action that is outside the risk appetite of the States or Government of Jersey leading to reputational damage for the entity and the States or Government of Jersey.
83. Each of the ALOs is aligned to a Ministerial department and receives funding from that department. The department is responsible for holding the ALO to account and for ensuring that the body delivers the objectives set out in its business plan or grant agreement.
84. Under the requirements of the PFM the sponsoring Government Accountable Officer must ensure that there is a written agreement governing the relationship with each ALO for which they are accountable. One of the entities currently defined as an ALO in the sample I reviewed had a business plan representing the written agreement (Jersey Finance), one had a contract for the provision of

services (JET) and one had a grant agreement (CAJ). Out of these three entities, only Jersey Finance would fall within a revised ALB definition.

85. All three ALOs reviewed receive grant funding. The PFM has further requirements in terms of grant assessments for ALOs. Funding for JET and CAJ for 2024 was agreed without a formally documented grant assessment (as is required by the PFM) in place to demonstrate that they remain the optimal routes to service delivery given current and expected performance against alternative modes. Work was commissioned by CLS to look at the funding of JET, but the report had not been finalised at the time of my fieldwork in May 2024.
86. ALOs are notified of funding each year and it is the decision of the Departmental Accountable Officer how funding is distributed along with the rest of their budget decisions. Government departments received an inflationary 'non-pay' uplift in their budgets of 3.8% for 2024. A 3.8% increase in funding was awarded to each of the three ALOs I reviewed. I did not see compelling evidence of a demand analysis and a review of policy requirements being undertaken to support decisions on allocation of funding to the ALOs I reviewed.
87. Extra resources have been given to one ALO (JET) on a one-off basis, both at the end of 2023 and the beginning of 2024 (£100,000 and £200,000 respectively). This was not linked to objectives or demand for services but was to provide additional financial support during a period of high inflation. As noted above, a report has been commissioned by CLS into the financial position of JET but had not been finalised at the time of my fieldwork in May 2024.
88. All ALOs reviewed have regular meetings with their respective Government departments. The meetings held by CLS are not however formalised and are not minuted. This contrasts with the practices observed in the Economy Department.
89. The Economy Department monitors business performance of ALOs against the KPIs contained in the SBPs of the ALOs. There are opportunities across all departments to improve accountability arrangements for States established delivery entities including:
 - the appointment of AOs within each entity to ensure greater accountability and clarity on which provisions of the PFM apply to the entity
 - developing more KPIs related to the achievement of States objectives; and
 - introducing specific requirements in respect of directors' remuneration policies.

States established independent bodies and office holders

90. My Thinkpiece *Governance and Accountability of Independent Bodies and Office Holders* (December 2022) identified three main areas in which accountability arrangements should be improved:
- adopting a requirement for bodies and office holders to comply with the PFM, with appropriate and necessary adaptations
 - specifying requirements in respect of annual reports, including the content and timing; and
 - where appropriate, strengthening requirements in relation to internal audit and the appointment of external auditors.
91. These opportunities remain.
92. While one independent body has a specific chapter included in the PFM (Office of the Comptroller and Auditor General), 19 have no specific provisions in the PFM and do not have AOs appointed within the entity. The expenditure of 13 of these bodies falls within other heads of expenditure within the States of Jersey and thus falls within the general requirements of the PFM. There is a question however as to which of the general requirements should apply to these entities given their independent status.
93. Despite the necessity for independence in the discharge of their statutory duties, it is important that independent bodies and office holders can demonstrate the highest standards of financial control. In some instances, legislation requires the entity to keep proper accounts and records:
- that for the Children’s Commissioner, Competition Regulatory Authority, Data Protection Authority, Financial Services Commission, Gambling Commission, Care Commission and the Office of the Financial Services Ombudsman places an obligation on the body or office holder to keep proper accounts and records; and
 - that for the Police Complaints Authority requires the Minister to ‘cause’ that accounts and records will be kept.
94. The legislation for five bodies (the Competition Regulatory Authority, Data Protection Authority, Financial Services Commission, Gambling Commission and Office of the Financial Services Ombudsman) imposes more specific provisions relating to:
- borrowing; and

- compliance with guidance that may be issued by the relevant Minister or the Minister for Treasury and Resources in investing surplus funds. No such guidance is however in existence.
95. In practice the PFM is also applied to other bodies through funding agreements, for example:
- the funding agreement for the Jersey Care Commission requires compliance with the PFM; and
 - the funding agreement for the Competition Regulatory Authority requires compliance with the PFM 'in so far as practicable'.
96. For bodies and office holders not subject to the PFM, it is their responsibility to put in place and document systems of financial control. The extent to which such systems are documented varies. In my view, financial accountability is promoted by prescribing minimum standards of financial control for all independent bodies and office holders. Such prescription could be secured by way of unambiguous application of the PFM, with such adaptations as necessary, to all independent bodies and office holders.

Recommendations

- R6** Adopt a consistent approach to the appointment of Accountable Officers within all ALBs (as re-defined).
- R7** Update the Public Finances Manual to:
- apply the States owned entities provisions to all wholly and majority owned entities
 - apply the Arm's Length Organisation section of the Public Finances Manual only to States established delivery entities; and
 - apply, with suitable adaptations, to all States established independent bodies and office holders.
- R8** Develop and implement mechanisms to link investment and funding to agreed outcome measures and performance expected from ALBs.

Delivery of value for money

97. High performing organisations satisfy themselves that efficiency is being secured by ALBs by:
- benchmarking against comparable organisations
 - challenging budgets and ways of working; and
 - promoting collaboration and, where appropriate, rationalisation, to drive efficiencies, including in the costs of governance of organisations.
98. They also recognise that there are:
- costs of internal governance of ALBs. Even in the cases of bodies where membership of the governing body is unpaid, there are costs of administration and accountability, such as the engagement of external auditors
 - potential inefficiencies in small organisations duplicating back office functions; and
 - costs of oversight of ALBs by government. These comprise mainly the time of officers managing the relationship with ALBs.

Value for money opportunities

99. All States owned entities are expected to set out KPIs in their respective SBPs along with the associated budget. This should give a clear representation of what the entity is expecting to deliver for the budget set. These are significantly sized organisations which are expected to operate on a quasi-commercial footing and are expected to make contributions including for example dividends, social and community contributions along with contributions to infrastructure and the public realm.
100. The KPIs are set by the Board of the entity in question and agreed and signed off by the Treasury and Exchequer Department and the Minister. These are expected to demonstrate how the body delivers policy objectives and set out challenging targets that will deliver value for money.
101. One of the difficulties facing the Government is where objectives and functions overlap across Government departments and across ALBs. For example, a number of departments and ALBs have a role in respect of the delivery of the Government's housing policy. The Strategic Housing and Regeneration team (within the Housing, Environment and Placemaking directorate in the Cabinet Office) was specifically created as a combined team in late 2021 to bring together housing and regeneration policy, to improve synergies with planning policy and to

ensure that this filters into the policy of relevant States owned entities such as Andium Homes and SoJDC. The team also seeks to improve the internal coordination of Government policy and States owned entities' priorities and delivery challenges.

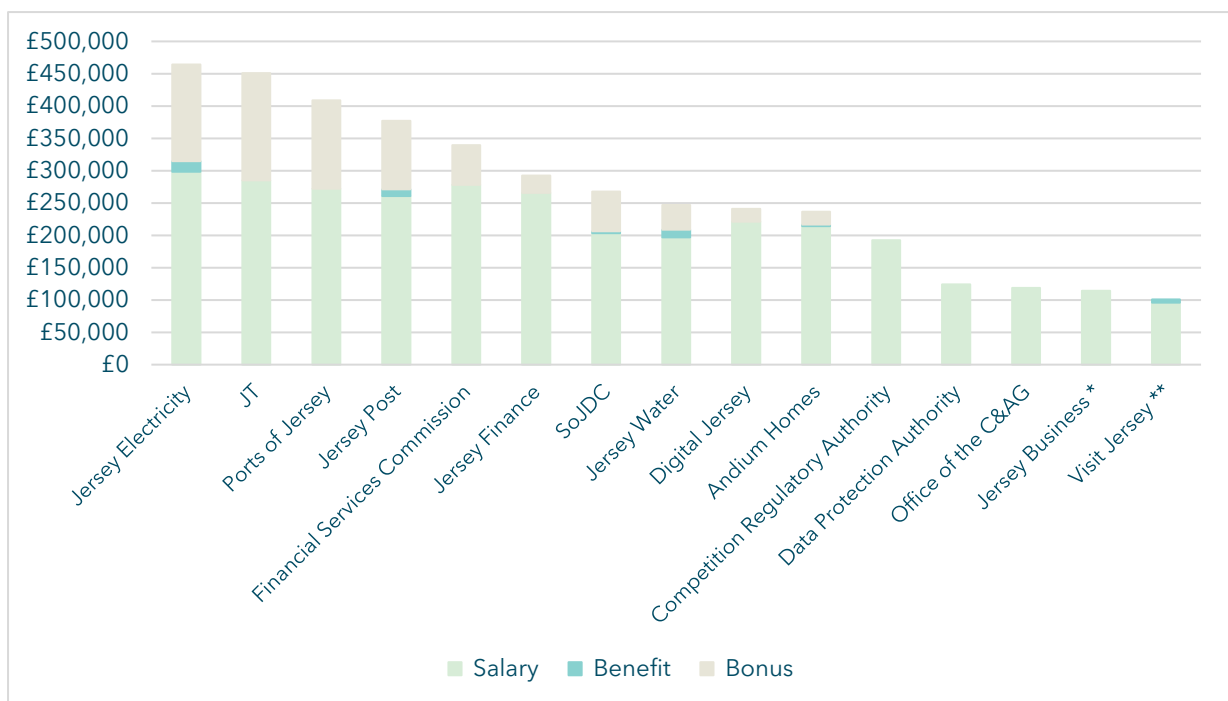
102. In order to deliver Government housing policy objectives more effectively in practice, however, there is a need to ensure greater alignment and co-ordination across Government departments and relevant States owned entities.
103. During the course of my work I have identified a number of potential opportunities for improving value for money. The potential opportunities to enhance value for money delivered by ALBs include:
 - the establishment of and monitoring of more relevant KPIs aligned to Government policies and risks
 - better co-ordination between departments and States owned entities (including Andium Homes, SoJDC and Ports of Jersey) for the provision of social housing for purchase, property management of HCS staff accommodation, housing policy and land use policy
 - more consistent remuneration policies across States established delivery entities and independent bodies and office holders; and
 - potential savings that could be achieved by rationalising common functions between ALBs (an opportunity is being explored by the Economy Department in respect of certain entities) and joint procurement contracts for common items of expenditure.
104. The opportunities I have identified as part of this review are similar to the value for money opportunities I identified in my Thinkpiece *Governance and Accountability of Independent Bodies and Office Holders* (December 2022).

Directors' Remuneration

105. My predecessor made recommendations regarding directors' remuneration in her report *Remuneration of Boards* (October 2019). Many of these recommendations have not been implemented in full by Government across all categories of ALBs.
106. The Treasury and Exchequer Department commissioned consultants to produce a framework for remuneration policies of States owned entities. This framework has been implemented. Each States owned entity determines its own remuneration policy using the framework and the Minister for Treasury and Resources approves remuneration change requests in accordance with the MoU.

107. No framework has been established for directors' remuneration for States established delivery entities and no framework is in place for States established independent bodies and office holders.
108. Exhibit 5 shows the range of Chief Executive (or equivalent) remuneration for 2023 across States owned entities, States established delivery entities and States established independent bodies and office holders, where such information is published. There remain ALBs which do not publish information in respect of the remuneration of the most senior executive. These entities do not meet best practice in respect of transparency.

Exhibit 5: Comparison of remuneration of Chief Executives or equivalent



* appointed 13 February 2023

** appointed 26 April 2023

Source: Jersey Audit Office analysis of 2023 published annual reports and accounts of individual entities

109. In order to drive greater consistency and demonstrate value relative to business performance, the following factors need to be reviewed and re-considered as part of the development of a remuneration policy framework to encompass all categories of ALBs:
- What are the appropriate local and international benchmarks, given Jersey's relative position in the marketplace?

- Are bonus schemes appropriate and sufficiently targeted at business performance with a sufficient weighting of KPIs linked to States objectives and value for money (particularly quality of service performance)?
- How does remuneration compare to the civil service workforce?

Recommendations

- R9** Review the potential opportunities for improving value for money in the management of ALBs and the delivery of their services identified in this report and in my Thinkpiece: *Governance and Accountability of Independent Bodies and Office Holders* (December 2022). Implement actions to deliver those which can be realised.
- R10** Ensure better co-ordination between Government departments and States owned entities (including Andium Homes, SoJDC and Ports of Jersey) for the provision of social housing for purchase, property management of HCS staff accommodation, housing policy and land use policy.
- R11** Establish and implement a remuneration framework for senior executives and chief executives (or equivalent) of States established delivery entities and of independent bodies and office holders. Ensure that the application of the relevant framework is consistently applied for all ALBs.

Appendix One

Audit Approach

This audit used a systems oriented approach.

The audit used the following criteria:

- *Arrangements to consider the need for different types of ALBs*

Do the States assess:

- the extent to which the work of ALBs supports organisational objectives
- the continuing need for the activity performed by an ALB; and
- if continuing need is established, whether an ALB (as opposed to, for example, direct provision or contracting out) represents the most appropriate means for performing the activity?

- *Governance arrangements for ALBs*

Do the States:

- set clear corporate standards for the governance of ALBs; and
- take reasonable steps to satisfy themselves that those arrangements are operating as intended and achieving their intended outcome?

- *Accountability arrangements for ALBs*

Do the States:

- set clear expectations for ALOs
- translate those expectations into measurable activities, outputs and outcomes; and
- monitor performance in delivering activities, outputs and outcomes and take appropriate action?

- *Value for money arrangements for ALBs*

Do the States satisfy themselves that efficiency is being secured by ALBs by:

- benchmarking against comparable organisations

- challenging budgets and ways of working; and
- promoting collaboration and, where appropriate, rationalisation, to drive efficiencies, including in the costs of governance of organisations?

The approach included the following key elements:

- review of key documents relating to the overall management of the use of Arm's Length Bodies by the States and key documents relating to six specific bodies
- interviews with key individuals from the six specific bodies and Government staff involved in the overall management of the bodies; and
- review of relevant Internal Audit and other relevant reports.

The documents reviewed included:

- agendas and minutes of ALBOB
- agendas and minutes of Future Places Ministerial Group
- documentation on oversight of the bodies such as MoUs, partnership and grant agreements, Government agendas and meeting notes, grant appraisals, risk registers and governance workbooks
- documentation relating to the management of the individual bodies, including Board papers, business plans, annual reports, quarterly performance reports and performance information
- key management information used in monitoring the ALBs tested
- Public Finances Manual and supporting guidance and frameworks
- the reported progress on the recommendations from:
 - The States as a shareholder - Jersey Telecom (July 2014)
 - Oversight of Arm's Length Organisations (June 2017)
 - Arm's Length Organisations - Visit Jersey (December 2018)
 - The States as a shareholder - follow up (March 2019)
 - Remuneration of Board members (October 2019)
 - States of Jersey Development Company (June 2020)

- Governance and Accountability of Independent Bodies and Office Holders – a Thinkpiece (December 2022).

The following people contributed information through interviews or by correspondence:

- Cabinet Office officers
- Chief Internal Auditor
- Chief Officer CLS and officers
- Chief Officer Economy and officers
- Head of Financial governance
- Head of Risk
- Head of Shareholder Relations and advisor on shareholder relations
- Senior officers from Andium Homes
- Senior officers from CAJ
- Senior officers from Jersey Finance
- Senior officers from JET
- Senior officers from SoJDC
- Treasurer of the States

The fieldwork was carried out by affiliates working for the Comptroller and Auditor General between March and May 2024.

Appendix Two

Follow up of previous Recommendations and Areas for consideration

The following table summarises the current status of previous recommendations and areas for consideration.

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|---|--|--|---|
| The States as a Shareholder - Jersey Telecom (July 2014) | | | |
| R1 | Reconsider whether the States wish to continue to own JT in whole or in part and, if so, articulate clearly all the objectives of ownership. | New MoU signed on 1 May 2022 confirming objectives of ownership. | Implemented |
| R2 | Schedule periodic reviews of the States' continued ownership of JT and associated objectives. | New MoU signed on 1 May 2022 confirming objectives of ownership. MoU to be reviewed every three years as a minimum. | Implemented |
| R3 | Adopt and monitor performance against Key Performance Indicators that are directly linked to all the ownership objectives in the MoU. | New MoU signed on 1 May 2022. Achievement of KPIs monitored quarterly. Government Head of Risk monitors risk management. | Implemented A further improvement would be to ensure KPIs are sufficiently linked to all ownership objectives, risks, quality of service performance and assessment of value for money. |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|-----------|---|---|--|
| R4 | Adopt a specific objective to reflect the States' risk appetite as shareholder and associated Key Performance Indicators. | New MoU signed on 1 May 2022 and governance implementation workbook/checklist completed. Government Head of Risk monitors risk management. | Partially implemented I am informed that there is a Government of Jersey risk appetite statement contained within the Government Risk Strategy, but there are no associated KPIs. The Head of Risk is working with the Shareholder function and States owned entities to develop KPIs. |
| R5 | Reconsider the resources devoted to the shareholder function, including in light of the change in the nature of JT's business and the increased risk to the States' investment. | The Shareholder function has indicated that it does not need any additional resources. i The new MoU and governance framework mitigate the risks of the investment. | Implemented |
| R6 | Undertake a thorough review of the MoU. | New MoU signed on 1 May 2022 and governance implementation workbook/checklist completed. Government Head of Risk monitors risk management | Implemented |
| R7 | Provide a clearer definition of proposed transactions for which consent is required, taking into account both the size, context and risk of the proposed transactions. | New MoU includes clearer definition of proposed transactions for which consent is required. | Implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|--|--|--|--|
| R8 | Consider whether transactions in respect of specific infrastructure should require prior consent. | New MoU includes clearer definition of proposed transactions for which consent is required. | Implemented |
| R9 | Review the form and frequency of meetings required in the MoU. | New MoU sets out the form and frequency of meetings. | Implemented |
| R10 | Extend the requirements for Ministerial approval to remuneration of directors of subsidiary companies. | New MoU requires Ministerial approval for Executive Directors' remuneration, but explicitly excludes subsidiary companies. | Partially implemented |
| R11 | Require the publication of the annual accounts of JT excluding only those notes where the States are satisfied that publication would prejudice its commercial position. | Annual Report and Accounts for 2022 published on 4 July 2023. | Implemented |
| Oversight of Arm's Length Organisations (June 2017) | | | |
| R1 | Routinely demonstrate how the continued use of ALOs is linked to corporate and departmental objectives. | ALBOB governance checklist for ALOs issued in September 2023. Grant checklists have not been used consistently for all ALOs. Not all departments are complying with the requirements of the PFM. | Partially implemented Not all departments are complying with the PFM requirements. |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|-----------|---|--|---|
| R2 | Adopt a States-wide approach to structured review of ALOs, challenging whether functions are still needed, whether the route for service delivery remains the most appropriate, whether greater value for money can be secured and whether the lead department remains appropriate. | Review of ALOs has been included in the ALBOB workplan and has been completed for a few organisations. | Partially implemented A consistent States-wide approach to structured reviews is still to be implemented. |
| R3 | Establish States-wide oversight of the structured reviews of ALOs, ensuring that such reviews of all ALOs are completed over the life of the Medium Term Financial Plan. | Review of ALOs has been included in the ALBOB workplan and has been completed for a few organisations. | Partially implemented A consistent States-wide approach to structured reviews is still to be implemented. |
| R4 | Align the timing of reviews of organisations operating in similar areas to facilitate consideration of whether rationalisation of States' support is appropriate. | The Economy Department is undertaking a review of a number of ALOs. | Partially implemented A consistent States-wide approach to structured reviews is still to be implemented. |
| R5 | Apply the principles developed for the periodic review of ALOs to the evaluation of proposals for the establishment or funding of new ALOs. | A section on ALBs (including ALOs and States owned entities) has been included in the PFM. Not all departments are complying with the requirements of the PFM. | Partially implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|-----------|--|--|---|
| R6 | Establish clear corporate arrangements, including Financial Directions, that are specific to the funding and oversight of ALOs. | A section on ALBs (including ALOs and States owned entities) has been included in the PFM. Not all departments are complying with the requirements of the PFM. | Partially implemented |
| R7 | As part of the preparation of the States' 2017 accounts, require Accounting Officers to confirm that they have effective arrangements in place for compliance with a revised Financial Direction 5.5. | A section on ALBs (including ALOs and States owned entities) has been included in the PFM. Not all departments are complying with the requirements of the PFM. | Partially implemented |
| R8 | As part of the structured review of ALOs, review the appropriateness of the constitutional arrangements for ALOs to ensure that they are justified and appropriate in the context of good governance and value for money, including: <ul style="list-style-type: none"> · the constitutional nature of bodies · the number of members of governing bodies · whether they are or are not remunerated (and, if so, how much) · by whom they are appointed; and · internal reporting arrangements. | Review of ALOs has been included in the ALBOB workplan and has been completed for a few organisations. | Partially implemented A consistent States-wide approach to structured reviews is still to be implemented. |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|-----------|--|---|-----------------------------------|
| R9 | Establish a clear corporate framework for the role of States officers attending meetings of governing bodies of ALOs, including what they should report to Accounting Officers and when. | Commercial Services continue to develop their governance framework for ALOs. A refreshed grant agreement has been developed, expected to be introduced in 2025. This includes a requirement for quarterly meetings to be minuted. There is also a separate ALO performance template and the agreement covers quarterly reporting on KPIs. | Implementation in progress |
| R10 | Establish a corporate framework for management of the relationship with ALOs, with minimum standards on monitoring, meetings and documentation. | Commercial Services continue to develop their governance framework for ALOs. A refreshed grant agreement has been developed, expected to be introduced in 2025. This includes a requirement for quarterly meetings to be minuted. There is also a separate ALO performance template and the agreement covers quarterly reporting on KPIs. Not all departments are complying with the requirements of the PFM. | Implementation in progress |
| R11 | Wherever possible separate the management of the relationship with ALOs from policy development. | There remain examples of policy developers managing relationships with ALOs. Policy development and implementation is not always co-ordinated between relevant departments and ALOs, potentially leading to ineffective service delivery and possible duplication of service. | Not implemented |
| R12 | Where appropriate undertake elements of the management of the relationship | New governance checklist requirement for ALOs included in the PFM from 1 September 2023. | Partially implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|-----------|--|---|--|
| | with ALOs, such as the review of financial information and internal controls, across departments to secure efficiencies and promote learning. | Not all departments are complying with the PFM. Review of ALOs included in ALBOB workplan and has been completed for a few organisations. | A consistent States-wide approach to structured reviews is still to be implemented |
| R13 | Roll out Key Performance Indicators for all ALOs, seeking where possible to develop KPIs for economy, efficiency and effectiveness. | KPIs are not in place for all ALOs and have not been developed to ensure economy, efficiency and effectiveness. | Partially implemented There is a need to ensure KPIs are sufficiently linked to all States' objectives, risks, quality of service performance and assessment of value for money. |
| R14 | As part of a programme of strategic review of ALOs detailed in R2 above: <ul style="list-style-type: none"> · develop benchmarking of budgets · adopt zero-based budget reviews; and · consider the scope for savings through collaboration with other ALOs, the States and/or other organisations. | The Economy Department is undertaking a review of a number of ALOs. Benchmarking of budgets and zero-based budget reviews have not been implemented. | Partially implemented A consistent States-wide approach to structured reviews is still to be implemented. |
| R15 | Collect information about the cost of oversight of ALOs and use to inform decision-making. | A review of ALOs is included in the ALBOB workplan and has been completed for a few organisations. This has not included the cost of oversight. | Partially implemented A consistent States-wide approach to structured reviews is still to be implemented. |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|--|--|---|--|
| Arm's Length Organisations - Visit Jersey (December 2018) recommendations relating to oversight | | | |
| R27 | Routinely document the attendance by the Relationship Manager at and key points arising from meetings with Visit Jersey. | Meetings are now routinely documented including key points arising. | Implemented |
| R28 | Improve the challenge of Visit Jersey in the quarterly review, including the documentation obtained, and the recording of judgements made. | The bi-annual grant appraisals include the appropriate documentation resulting in the recording of judgements made on the grant appraisal. The core KPIs for 2024 include a re-instated marketing KPI to assess return on investment/value for money from the grant. | Implemented |
| R29 | Develop and document a wider scope for the annual review of Visit Jersey in time for the 2019 grant award deliberations. | New requirements have been introduced into the PFM regarding ALBs. The grant appraisal for Visit Jersey for 2024 was signed off in mid-February 2024. | Partially implemented The timing and scope of grant appraisal reviews should be revised to coincide with Departmental budget setting. I will consider this further in my forthcoming review of <i>Grants and Subsidies</i> . |
| R30 | As part of its monitoring of Visit Jersey, monitor the implementation of the recommendations for Visit Jersey contained in this report. | No documentation relating to the follow up of the previous report's recommendations has been presented. | Not implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|---|---|--|---|
| R31 | Undertake the annual reviews of ALOs in parallel to assess whether support for ALOs in aggregate most effectively supports the attainment of the States' objectives. | The Economy Department is undertaking a review of a number of ALOs. | Partially implemented A consistent States-wide approach to structured reviews is still to be implemented. |
| R32 | Actively consider and document the consideration of the findings and recommendations in this report for the oversight by the States of other ALOs both individually and generally. | The ALBOB work programme has included following up C&AG recommendations from previous reports. | Implemented |
| The States as a Shareholder - Follow Up (March 2019) | | | |
| R1 | Review all outstanding recommendations from my 2014 report in the context of all the States owned companies and, where recommendations are accepted, agree an action plan for implementation, with clear timescales and responsibilities. | All outstanding recommendations have been included in the Government's recommendations tracker, but some actions remain outstanding. | Partially implemented |
| R2 | Take into account the findings of the consultancy review currently in progress in developing the agreed action plan. | The 2014 recommendations have been implemented by the new MoUs. | Implemented |
| R3 | Prioritise the development of the Ports Regulation Policy and Postal Services Regulation Policy and reflect timescales | A Ports Regulation Policy has recently been issued. I did not find any evidence of progress in the development of a Postal Services Regulation Policy. | Partially implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|---|---|---|------------------------------|
| | and responsibilities in the agreed action plan. | | |
| R4 | Adopt a policy for the enhanced transparency of public reporting by controlled companies. | All States owned entities publish their accounts on their respective websites. | Implemented |
| R5 | Undertake a formal post-implementation review of the effectiveness of the new arrangements for oversight of controlled companies under the Target Operating Model, including the shareholder and client-side functions, by the end of 2019. | New MoUs signed in May 2022 and arrangements implemented. | Implemented |
| R6 | Adopt, with appropriate adaptations, recognised standards for stewardship as an investor, reflecting the non-financial ownership objectives of the States. | Standards implemented but performance monitoring relates to the SBPs that are developed by the States owned entities. These are not driven by agreed objectives of ownership as these have yet to be developed. | Partially implemented |
| Remuneration of Board Members (October 2019) | | | |
| R1 | Assign responsibility for the development and oversight of a policy for Board remuneration covering companies, statutory bodies and funded bodies. | Policy framework developed for States owned entities but not for ALOs. Lack of corporate oversight for consistency across bodies. | Not implemented |
| R2 | Develop an overarching policy for remuneration of Boards of companies, statutory bodies and funded bodies | Policy developed for States owned entities but not for ALOs | Not implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|-----------|---|---|------------------------------|
| | <p>detailing principles to take into account in determining:</p> <ul style="list-style-type: none"> · the level of remuneration; and · the composition of remuneration, including the nature of reward schemes. | | |
| R3 | Review and revise as necessary memoranda of understanding with companies in light of the Board remuneration policy, when agreed. | <p>MoUs with States owned entities have been updated.</p> <p>No remuneration policy framework in place for ALOs.</p> | Partially implemented |
| R4 | Establish mechanisms for reflecting the Board remuneration policy, when agreed, in funding agreements with statutory bodies and funded bodies. | Policy developed for States owned entities but not for ALOs. | Not implemented |
| R5 | Provide support to officers overseeing the relationship with statutory bodies and funded bodies on the application of the Board remuneration policy, when agreed. | <p>Policy framework developed for States owned entities but not for ALOs.</p> <p>Lack of corporate oversight for consistency across bodies.</p> | Not implemented |
| R6 | Require funded bodies to publish an Annual Report and Accounts, including through making them available on their websites. | Annual Report and Accounts are published on entities websites. Some but not all ALOs include details of directors' remuneration. | Implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|-----------|---|--|------------------------------|
| R7 | <p>Require companies, statutory bodies and funded bodies to include, as a minimum, within their Annual Report and Accounts:</p> <ul style="list-style-type: none"> · total remuneration broken down between basic pay, bonus payments, benefits in kind and employer pension contributions for non-executive and executive directors with comparative figures for the previous year; and · a short statement of policies in place in respect of remuneration, including the key features of any bonus scheme. | <p>No requirements have been introduced. Some entities are including relevant information in their annual reports.</p> | Not implemented |
| R8 | <p>Strengthen arrangements for oversight of the States relationship with companies, statutory bodies and funded bodies, including through:</p> <ul style="list-style-type: none"> · determining and monitoring compliance with minimum corporate governance standards; and · establishing a high profile Board, drawing together senior officers with an interest in finance, policy, delivery and governance, to provide a focus for the oversight of companies, statutory bodies and funded bodies. | <p>MoU for States owned entities includes a requirement to comply with minimum corporate governance standards. Annual governance workbooks prepared for States owned entities.</p> <p>Governance checklists completed for relevant ALOs by the Economy Department but not for relevant ALOs by CLS.</p> <p>ALBOB established and has developed a work programme.</p> | Partially implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
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| States of Jersey Development Company (June 2020) | | | |
| R1 | Prepare a clear timetable for finalisation of the Estates Management Strategy and 5-year Asset Management Plan as soon as possible. | Estates Management Strategy finalised and published. | Partially implemented |
| R2 | Ensure that future plans are fully integrated across all areas of the Government including States owned entities. | Systematic arrangements have not been established to ensure alignment of plans where relevant. | Not implemented |
| R3 | Undertake a strategic review of SoJDC to confirm that it remains the most appropriate vehicle and operating model to deliver Government regeneration objectives in the longer term. | A strategic review of this entity has not been undertaken by Government. | Not implemented |
| R4 | Clarify the respective roles and responsibilities of Director of Partnerships in the context of current monitoring and accountability arrangements. | MoU includes roles and responsibilities of Shareholder function. | Implemented |
| R5 | Finalise the revised draft MoU for discussion and agreement with SoJDC as soon as possible. | MoU signed on 1 May 2022. | Implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
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| R6 | Ensure that the revised draft MoU addresses all gaps and points of clarification identified by both parties. | MoU signed on 1 May 2022, but does not reflect the comments on infrastructure, sales and development referred to in my previous report. | Partially implemented |
| R7 | Agree a process for a regular, structured review of the appropriateness of the MoU. | MoU will be formally reviewed between the parties no less frequently than every three years. | Implemented |
| R8 | Prepare a formal, periodic shareholder assessment to demonstrate compliance with the terms agreed in the new MoU. | MoU for States owned entities includes a requirement to comply with minimum corporate governance standards. Annual governance workbooks prepared for States owned entities. | Implemented |
| R9 | Ensure adequate reference to the relationship between the Government and SoJDC in corporate and Treasury and Exchequer departmental risk registers to address financial and reputational risks to the Government. | The Head of Risk attends the Q2 and Q4 Shareholder meetings to report on risk to the SoJDC Board and, ahead of such meetings, meets with the persons responsible for managing the SoJDC risk register to determine whether any risks should be included in the Treasury and Exchequer risk register. | Implemented |
| R10 | Add a section in revised MoU to include processes and options for realising financial benefits as shareholder. | Paragraph 9.2.8 in the MoU states that SoJDC's SBP should include an operational budget which contains: <ul style="list-style-type: none"> - budgeted figures for two years to which it relates; and - an estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the Shareholder or | Implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
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| | | otherwise remitted, such as through direct investment in Government projects as agreed with the Shareholder. | |
| R11 | Ensure benefits realisation is reviewed at periodic shareholder meetings so that a balance is demonstrated between retention and distribution of profits in the context of the development programme and available reserves at the time. | Reviewed at quarterly meetings. | Implemented |
| R12 | Review operation of the refreshed Regeneration Steering Group (RSG) after 12 months to ensure that it is delivering a more structured approach to miscellaneous regeneration and community projects across the Island. | The RSG was replaced by the Future Places Ministerial Group (FPMG) after the election. The RSG has subsequently been resurrected and the intent remains for there to be a review of the SoJDC and Jersey Property Holdings relationship. | Partially implemented |
| R13 | Carry out an annual calculation of added value of all miscellaneous projects undertaken by SoJDC and transferred as 'dividend in specie' so that cumulative benefit to the Government can be understood and reported fully. | Added value of individual projects not calculated. | Not implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
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| Governance and Accountability of Independent Bodies and Office Holders - a Thinkpiece (December 2022) Areas for Consideration | | | |
| A1 | <p>Clarify the legal nature of the following independent bodies and office holders, including in particular whether they have legal personality:</p> <ul style="list-style-type: none"> • Comptroller and Auditor General • Independent Prison Monitoring Board • Jersey Appointments Commission • Official Analyst • Police Authority; and • Statistics Users Group. | The Draft Statistics and Census (Jersey) Amendment Law 202_ proposes to amend the Statistics and Census (Jersey) Law 2018. Under the proposed amendments the Chief Statistician will become a corporation sole and a Statistics Council will replace the Statistics User Group. | Partially implemented |
| A2 | Update legislation for the Director of Civil Aviation, the Independent Prison Monitoring Board, the Police Authority and the Police Complaints Authority to include an unequivocal statement of the independence of the body and/or its freedom from direction. | No action taken. | Not implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|-----------|---|--|------------------------------|
| A3 | Where appointments of Chairs and members of independent bodies and of independent office holders are made by a Minister, review the arrangements for the appointment, including whether there is a compelling reason for not requiring a two week notice period to the States Assembly. | The Draft Statistics and Census (Jersey) Amendment Law 202_ proposes to amend the Statistics and Census (Jersey) Law 2018. Under the proposed amendments the Chief Minister will be required to give two weeks' notice to the States Assembly of their intention to appoint an individual, in turn allowing challenge to the proposed appointment. A review of arrangements for the appointment of other independent bodies and office holders has not been undertaken. | Partially implemented |
| A4 | Consider the rationale for differences in the initial terms of office of Chairs of independent bodies. | No specific action taken. | Not implemented |
| A5 | Ensure that legislation reflects the Jersey Appointments Commission Guidance that the maximum term of office for independent members of Boards does not exceed nine years. | I note that the Draft Statistics and Census (Jersey) Amendment Law 202_ provides for the Chief Statistician to be a nine year initial appointment. In addition, members of the Statistics Council cannot be appointed for terms exceeding nine years. No action taken in respect of other independent bodies and office holders. | Partially implemented |
| A6 | Ensure appropriate processes are in place in cases where the removal of members of independent bodies and of individual office holders is proposed. | Appropriate processes are being proposed in the Draft Statistics and Census (Jersey) Amendment Law 202_ for the Chief Statistician and members of the Statistics Council. | Partially implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|-----------|---|--|------------------------------|
| | | No action taken in respect of other independent bodies and office holders. | |
| A7 | <p>Introduce a clear, understandable and objectively justifiable framework for funding of independent bodies and office holders by the:</p> <ul style="list-style-type: none"> • development of overarching principles for when a body should be funded by fees, levies, grants or revenue heads of expenditure; and • adoption of a consistent pattern of responsibility for the setting of fees and levies. | No action taken. | Not implemented |
| A8 | Where independent bodies and office holders operate within the States of Jersey, ensure that there is a clearly identified, separate revenue head of expenditure and that the senior officer within the independent body has Accountable Officer status. | <p>Under the Draft Statistics and Census (Jersey) Amendment Law 202_ governance of the public finances of the Office of the Chief Statistician will sit within the Accountable Officer structure provided by the Public Finances (Jersey) Law 2019.</p> <p>No action has been taken however in respect of other independent bodies and office holders who operate within the States of Jersey.</p> | Partially implemented |
| A9 | Introduce legislation for all independent bodies and office holders to specify that States of Jersey employees working for an independent body or office holder | Appropriate processes are being proposed in the Draft Statistics and Census (Jersey) Amendment Law 202 for staff working for the Office of the Chief Statistician. | Partially implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|-----------|--|--|------------------------|
| | shall be treated as if they were the staff of the independent body or office holder. | No action taken in respect of other independent bodies and office holders. | |
| A10 | Introduce minimum good employer standards for independent bodies empowered to employ their own staff. | No action taken. | Not implemented |
| A11 | Explicitly apply the PFM, with suitable adaptations, to all the independent bodies and office holders covered by this Thinkpiece. | No action taken. | Not implemented |
| A12 | Document minimum standards for the responsibilities of an Audit Committee or similar body for all independent bodies and office holders. | No action taken. | Not implemented |
| A13 | Specify minimum mandatory content of annual reports for independent bodies and office holders. | No action taken. | Not implemented |
| A14 | Introduce standardised requirements for the timing of annual reports of independent bodies and office holders. | No action taken. | Not implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|-----------|--|---|-------------------------|
| A15 | Specify minimum standards for annual financial reporting, even where the financial performance of independent bodies and office holders is already reflected in the annual accounts of the States of Jersey. | No action taken. | Not implemented |
| A16 | Introduce a presumption in favour of internal audit provision for independent bodies and office holders unless there is a clearly documented case that the costs would outweigh the benefits. | No action taken. | Not implemented |
| A17 | Where independent bodies and office holders are required to prepare full annual accounts and their expenditure exceeds a specified threshold, introduce a requirement that they should be subject to audit by auditors appointed by the Comptroller and Auditor General. In other cases, introduce a requirement for an assurance engagement providing a lower level of assurance by an independent examiner appointed by the Comptroller and Auditor General. | Being considered as part of the developed of an updated Comptroller and Auditor General (Jersey) Law. | Being considered |
| A18 | Document the services and standards for the provision of services by the Government of Jersey to independent bodies and office holders. | No action taken. | Not implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|-----------|--|---|-------------------------------|
| A19 | Independent bodies and office holders should continue to work collectively to explore opportunities to share support services and, in some cases, accommodation. | Various initiatives are being explored through the Jersey Regulators Forum. | Implementation ongoing |
| A20 | Develop a clear policy framework for the governance and accountability of independent bodies and office holders, including consideration of the nature and extent of independence that is required in each case and how such independence can be secured, having regard to relevant international standards and the experience of other jurisdictions. | No action taken. | Not implemented |
| A21 | In light of any policy framework adopted, consider framework legislation for governance and accountability of independent bodies and office holders including consistent provisions for independent bodies and office holders, or groups of independent bodies and office holders, in the absence of a clear rationale to the contrary. | No action taken. | Not implemented |

| Reference | Recommendation/Area for Consideration | Current status | Evaluation |
|-----------|--|------------------|------------------------|
| A22 | In light of any policy framework adopted, beneath legislation develop common standards for the governance and accountability of independent bodies and office holders addressing the areas covered in this Thinkpiece. | No action taken. | Not implemented |

Source: Jersey Audit Office analysis

Appendix Three

Summary of Recommendations, Work planned that should be prioritised and Area for consideration

Recommendations

- R1** Introduce a new definition of Arm's Length Bodies to include only States owned entities, States established delivery entities and States established independent bodies and office holders.
- R2** Update the Public Finances Manual to require structured reviews of all Arm's Length Bodies (comprising States owned entities, States established delivery entities and States established independent bodies and office holders) on a periodic basis (such as every five years).
- R3** Revise the terms of reference for ALBOB so that it becomes a cross Government working group to develop consistent approaches to the oversight of ALBs.
- R4** Develop performance indicators for ALBs based on States policy objectives including risk appetite, service performance measures and wider policy and value for money objectives.
- R5** Set clear, and where appropriate consistent, standards of governance for independent bodies and office holders based on the areas for consideration identified in my Thinkpiece *Governance and Accountability of Independent Bodies and Office Holders* (December 2022).
- R6** Adopt a consistent approach to the appointment of Accountable Officers within all ALBs (as re-defined).
- R7** Update the Public Finances Manual to:
- apply the States owned entities provisions to all wholly and majority owned entities
 - apply the Arm's Length Organisation section of the Public Finances Manual only to States established delivery entities; and
 - apply, with suitable adaptations, to all States established independent bodies and office holders.
- R8** Develop and implement mechanisms to link investment and funding to agreed outcome measures and performance expected from ALBs.

- R9** Review the potential opportunities for improving value for money in the management of ALBs and the delivery of their services identified in this report and in my Thinkpiece: *Governance and Accountability of Independent Bodies and Office Holders* (December 2022). Implement actions to deliver those which can be realised.
- R10** Ensure better co-ordination between Government departments and States owned entities (including Andium Homes, SoJDC and Ports of Jersey) for the provision of social housing for purchase, property management of HCS staff accommodation, housing policy and land use policy.
- R11** Establish and implement a remuneration framework for senior executives and chief executives (or equivalent) of States established delivery entities and of independent bodies and office holders. Ensure that the application of the relevant framework is consistently applied for all ALBs.

Work planned that should be prioritised

- P1** Finalise the current review of ALOs being undertaken by the Economy Department.

Area for consideration

- A1** Invite the Head of Risk to attend Departmental Senior Leadership Team meetings on a periodic basis to advise on risk management in relation to ALBs.



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