

Financial Management and Internal Control – Follow Up

Project Specification

Background

Effective financial management and internal control are essential underpinnings for the delivery of economic, efficient and effective public services.

Sound financial management is vitally important for government organisations. In the public sector, financial management is pivotal in meeting policy aims, monitoring progress against goals and objectives, and ensuring scarce resources are utilised effectively. A lack of sound financial management increases the risk that the States of Jersey will not set the right priorities, deliver on their responsibilities to provide good value for money and exercise their responsibilities to the taxpayer, as set out in the Public Finances (Jersey) Law 2019.

Good internal control ensures that operations are efficient, effective and in line with laws and policy objectives. Internal control processes can protect the States of Jersey from fraud, corruption, waste and abuse of resources and help in measuring value for money, assessing risk, and ensuring compliance with laws, regulations and policies.

Financial management and internal control processes - when done well - enable the States of Jersey to:

- make timely and well-informed decisions
- unlock efficiencies and drive better ways of working; and
- improve financial resilience and enhance their ability to adapt and respond to shocks and disruptions.

In September 2019, the then Comptroller and Auditor General (C&AG) issued a report *Financial Management and Internal Control*. The report followed up on findings from a number of previous reports and evaluated the progress made in implementing agreed recommendations, the extent to which the recommendations as implemented addressed

the improvement areas identified and the adequacy of plans for the implementation of any outstanding recommendations. The report contained 33 recommendations.

At 3 April 2024, the Government of Jersey's Recommendations Tracker assessed that only one of the recommendations remained outstanding. Since publication of the report in 2019, the Public Finances (Jersey) Law 2019 has been introduced, supplemented by the Public Finances Manual. These provide the framework within which all States transactions must take place.

Effective risk management is a significant element within an effective internal control framework.

In October 2022, the C&AG issued a report *Risk Management - Follow Up*. The review followed up recommendations made in 2017 and looked at corporate arrangement as well as arrangements within departments. The report contained ten recommendations, four areas of planned work that should be prioritised and seven areas for consideration. The Government of Jersey has assessed that all of these recommendations have been implemented.

The Functions of the Comptroller and Auditor General (C&AG)

Article 11 of the Comptroller and Auditor General (Jersey) Law 2014 requires the C&AG to:

- provide the States with independent assurance that the public finances of Jersey are being regulated, controlled, supervised and accounted for in accordance with the Public Finances (Jersey) Law
- consider and report to the States on:
 - the effectiveness of internal controls of the States, States funded bodies and funds
 - the economy, efficiency and effectiveness in the way the States, States funded bodies and funds use their resources; and
 - the general corporate governance arrangements of the States, States funded bodies and funds; and
- make recommendations to bring about improvement where improvement is needed.

Objectives of this follow up review

This follow up review will consider:

- the progress made in implementing agreed recommendations from the 2019 and 2022 C&AG Reports, taking into account the introduction of the Public Finances (Jersey) Law 2019 and the Public Finances Manual
- the extent to which the recommendations as implemented have addressed the improvement areas identified in the Reports; and
- the adequacy of plans for the implementation of any outstanding recommendations.

In doing so, the review will evaluate:

- the effectiveness of the States' overall arrangements to ensure sound financial management including:
 - leadership, governance and culture
 - financial planning
 - financial monitoring and forecasting; and
 - financial reporting
- the effectiveness of the key elements of the internal control environment with a particular focus on the Public Finances Manual (PFM) in terms of:
 - ongoing development of requirements; and
 - compliance with requirements
- the effectiveness of risk management arrangements following implementation of previously agreed recommendations; and
- the arrangements to ensure that the internal audit function is operating effectively.

Scope

The review evaluates the effectiveness of, and compliance with, the arrangements put in place by the States of Jersey to establish and maintain effective financial management and internal control.

It will evaluate overall arrangements as well as undertaking a more focussed review of how these arrangements operate within the Health and Community Services Department.

Audit approach

This audit will use a system-oriented approach.

The review will commence with an initial documentation request. The findings of the document review will be followed up by interviews with key officers and potentially with other stakeholders.

The review will commence in September 2024.

The detailed work will be undertaken by affiliates engaged by the C&AG.

Audit criteria

To assess relative performance during our audit, we will use the following criteria:

Financial Management

1. Leadership, governance and culture: the States of Jersey set the right tone from the top, securing strong governance and oversight.
2. Skills and capabilities: the States of Jersey prioritise ensuring the availability of the professional and technical skills and capabilities to enhance the quality of financial management.
3. Financial Planning: the States of Jersey ensure that financial planning is integrated with strategic and corporate planning at all levels.
4. Data and management information: finance leaders develop and use data to improve the quality of financial management information systems and processes. Financial reporting is timely and meets user needs.

Internal Control

1. PFM requirements are clear and meet relevant statutory and regulatory requirements.
2. There is an established and effective programme to develop and make improvements to the PFM.

3. Appropriate assurance is obtained on compliance with the PFM.

Risk management

1. Leadership, governance and culture: the States of Jersey set the right tone from the top, securing strong governance and oversight of risk.
2. Skills and capabilities: the States of Jersey prioritise ensuring the availability of the professional and technical skills and capabilities to enhance the quality of risk management.
3. Identification, classification and mitigation: the States of Jersey ensure that risks are identified, classified and mitigated effectively.
4. Data and management information: leaders use data to improve the quality of risk management information systems and processes. Risk reporting is timely and meets user needs.

Internal audit

1. Arrangements in place provide assurance that internal audit fulfils the requirements set out in the Public Finances (Jersey) Law 2019.
2. The standards and operating model adopted for internal audit are appropriate and proportionate for the States of Jersey.



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