

Wednesday, 23 July 2025

Significant action taken to improve financial management and internal control but further work required to enhance expenditure monitoring and improve compliance

The Comptroller and Auditor General (C&AG) has today, 23 July 2025, issued her follow up audit on Financial Management and Internal Control.

The C&AG's audit has evaluated 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.

The audit examined in detail, arrangements and practices for:

- Overall financial management
- Overall internal control
- Risk management; and
- Internal Audit.

As well as evaluating overall arrangements the audit included a more focussed review of how these arrangements operate within Health and Care Jersey (HCJ).

The previous Financial Management and Internal Control report of the Jersey Audit Office (JAO) was published in 2019. This follow up audit found that the majority of the recommendations made at that time have been actioned and implemented by Government.

The financial management and internal control framework has been improved significantly since the introduction of the Public Finances (Jersey) Law 2019 and the Public Finances Manual (PFM). However the absence of a Scheme of Delegation in HCJ prior to 20 February 2025 represents a significant weakness in financial management and internal control increasing the risks that decisions on finance and procurement have been made by staff who do not have sufficient authority, seniority or experience.

In addition, the C&AG has identified a number of examples that evidence that some Accountable Officers are not consistently meeting the requirements placed on them.

More generally, the C&AG highlights that aligning budgets to service operational and workforce plans (which are still in development) has the potential to improve the effectiveness of financial management.

The IT system Connect Finance was implemented on 1 January 2023. This system provides the framework in which financial management is now operating. The benefits of improved management information from Connect Finance are now beginning to be realised.

In the report published today the C&AG has also identified that all of the ten of the recommendations from her *Risk Management – Follow Up* report from 2022 have been fully or partly implemented. Significant improvements have been made in the process and documenting of risk in risk registers. However there is still a lack of alignment between the risk appetite and the Risk Management strategy adopted by the States.

In each of the last five years HCJ has spent more than the initial budget allocated to the department in the Government Plan (after adjusting for pay awards and excluding COVID-19 pandemic budgets and expenditure). While it is not possible to quantify the extent to which these financial pressures could have been alleviated by better financial management and internal control it is clear that significant improvements are required in both areas within HCJ

In her concluding remarks on the follow up audit, the C&AG said:

“The States of Jersey have taken action to improve financial management and the internal control framework since the publication of my predecessor’s report in 2019.

“Further work is required however to enhance the monitoring of expenditure, to improve compliance with the internal control framework and to deliver benefits from investment in IT systems. In addition, the States should ensure that they implement actions in response to audit recommendations in a more timely manner.”

The Report: *Financial Management and Internal Control – Follow Up* can be found at: <https://www.jerseyauditoffice.je>

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- The 2025 to 2028 Audit Plan can be found at: www.jerseyauditoffice.je
- Lynn Pamment CBE took up the role of Comptroller and Auditor General (C&AG) for Jersey from 1 January 2020. Following the introduction of the Comptroller and Auditor General (Jersey) Law 2014 the term of office is fixed at seven years and is non-renewable.
- The Office of Comptroller and Auditor General is known as the 'Jersey Audit Office'.
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