

# STATES OF JERSEY



## **DRAFT PUBLIC FINANCES (JERSEY) LAW 201- (P.28/2019): SECOND AMENDMENT**

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**Lodged au Greffe on 21st May 2019  
by the Corporate Services Scrutiny Panel**

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**STATES GREFFE**

DRAFT PUBLIC FINANCES (JERSEY) LAW 201- (P.28/2019): SECOND  
AMENDMENT

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**1 PAGE 37, ARTICLE 30 –**

- (a) In Article 30, before “The Minister must ensure” insert “(1)”.
- (b) After Article 30(1), insert –
  - “(2) The Minister must present to the States –
    - (a) a written statement setting out –
      - (i) the Minister’s procedures for directing, under Article 15(3), how an approved appropriation for a reserve head of expenditure in a government plan may be spent, and
      - (ii) the expected purposes or subjects on which the Minister may direct that such appropriations be spent;
    - (b) a notice of any amendments to that statement, as soon as practicable after they are made.”.

**2 PAGE 37, ARTICLE 31 –**

- (a) In Article 31(1), after “Public Finances Manual” insert –
  - “, present it to the States’ Public Accounts Committee”.
- (b) In Article 31(2), after “Public Finances Manual” insert –
  - “and must present to the States’ Public Accounts Committee a notice of any such amendments as soon as practicable after they are made”.
- (c) In Article 31(3) –
  - (i) for “The Public Finances Manual may include” substitute –
    - “The Public Finances Manual must include”.
  - (ii) after “in Jersey”, insert –
    - “, and in particular must include directions with respect to –
      - (a) the accounting standards according to which the accounts of the States are to be prepared; and
      - (b) the standards according to which internal audits are to be conducted”.

**3 PAGE 37, ARTICLE 32 –**

- (a) In Article 32(2) –
  - (i) in sub-paragraph (a), after “Law;” insert –
    - “and”;
  - (ii) in sub-paragraph (b), for “Jersey; and” insert –
    - “Jersey.”;

(iii) delete sub-paragraph (c).

(b) In Article 32(3), for “paragraphs (2)(a) to (c).” substitute –  
“paragraph (2).”.

(c) After Article 32(3), insert –

“(4) There shall be a chief internal auditor, who shall be a person employed in the States body or area of operation referred to in paragraph (3).

(5) The chief internal auditor must, in accordance with the Public Finances Manual, carry out an internal audit of the transactions and internal controls and systems of each States body to ensure that the finances of the States are regulated, controlled and supervised in accordance with this Law.

(6) The time and frequency of an internal audit are to be determined by the chief internal auditor with the agreement of the Treasurer.

(7) However, the chief internal auditor may carry out an internal audit of the States body or area of operation referred to in paragraph (3) at any time.”.

**4 PAGE 39, ARTICLE 36 –**

After Article 36(2), insert –

“(3) Despite paragraph (1), the Treasurer is not permitted to authorise the Principal Accountable Officer to carry out the Treasurer’s functions on his or her behalf and in his or her name.”.

**5 PAGE 41, ARTICLE 41 –**

For Article 41 substitute –

**“41 Answerability and accountability**

(1) The Principal Accountable Officer is answerable to the States’ Public Accounts Committee, and is accountable to the Council of Ministers, for the performance of his or her functions.

(2) Accountable officers are answerable to the States’ Public Accounts Committee for the performance of their functions.”.

**6 PAGE 62, PARAGRAPH 20(4) OF SCHEDULE 6**

For paragraph 20(4) of Schedule 6, substitute –

“(4) In Article 9(2), for “Article 36(1)” there is substituted “Article 32(5)”.”.

**CORPORATE SERVICES SCRUTINY PANEL**

## REPORT

### Amendments to Part 5 – Administration

This report relates specifically to proposed amendments in relation to Part 5 of the draft Law (Administration).

**Part 1** of this amendment requires, in Article 30, the Minister for Treasury and Resources to present to the States a written statement on the allocation of monies from the Reserve (i.e. funds held for unforeseen expenditure). This reinstates a provision in the current Public Finances Law. The [current policy](#) sets out the terms of reference of the Investment Appraisal Board.

The Panel was told that the change to a Government Plan structure will mean that the States will be running much lower levels of reserve. Nevertheless, the Panel considers it appropriate that the Law provides greater control over how these funds can be allocated.

**Part 2** of this amendment proposes to amend Article 31 in relation to the Public Finances Manual. It requires the manual to be presented to the Public Accounts Committee when it is first published, and notification made to the PAC of any subsequent changes. The Chartered Institute for Public Finances and Accountancy (“CIPFA”) advised that the Manual should be “subject to wider member scrutiny and approval”<sup>1</sup>. This part of the amendment would provide a link between the Assembly and the Manual to enable such scrutiny.

The amendment also makes it a statutory requirement that the Public Finances Manual must contain the accounting standards which the States’ accounts will be prepared under, and also the internal audit standards which the States will use.

**Part 3** of this amendment reinstates into Article 32 the statutory requirement for a Chief Internal Auditor to be appointed.

The draft Law contains a requirement for the Treasurer to establish a system of internal auditing; however, the Panel considered that the Law needed to contain greater emphasis on the internal audit function.

The Comptroller and Auditor General and CIPFA highlighted the need for a reporting line for the internal audit function directly to the Principal Accountable Officer<sup>2</sup>. In the time available to the Panel, and without taking further advice, it was not possible to incorporate this in statute (although it is understood that it may be provided for in the Public Finances Manual). As such, the Panel believes that the most appropriate course of action is to maintain the role of the Chief Internal Auditor, as set out in the current Law.

**Part 4** of this amendment places a restriction on the Treasurer’s powers to delegate his functions under Article 36, such that he cannot delegate to the Principal Accountable Officer. The Panel considers that this would avoid a future potential for conflicts or concentration of powers in one individual.

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<sup>1</sup> [CIPFA Report, March 2019](#)

<sup>2</sup> [CIPFA Report, March 2019](#) and [CAG Submission, 4 March 2019](#)

**Part 5** of this amendment amends Article 41, which covers the accountability of the Principal Accountable Officer. This provides that the Principal Accountable Officer is “answerable to the States’ Public Accounts Committee and accountable to the Council of Ministers”. This re-inserts the wording in the current Law, which was approved during the States’ debate on [P.1/2018](#).

**Part 6** of this amendment is a consequential amendment to the [Comptroller and Auditor General \(Jersey\) Law 2014](#), which is required as a result of re-instating the requirement for a Chief Internal Auditor (see Part 3 of this amendment, above).

### **Financial and manpower implications**

There are no additional financial or manpower implications for the States arising from the adoption of this amendment.