



Public Accounts Committee Scrutiny Panel

Quarterly Hearing

Witness: Chief Executive Officer of the States

Monday, 23rd September 2019

Panel:

Senator S.C. Ferguson (Chair)

Connétable J. Le Bailly of St. Mary (Vice-Chair)

Deputy R.E. Huelin of St. Peter

Deputy I. Gardiner of St. Helier

Ms. M. Scott

Mr. A. Lane

In attendance:

Ms. K. McConnell, Comptroller and Auditor General

Witnesses:

Mc. C. Parker, Chief Executive of the States

Mr. R. Bell, Treasurer of the States

Mr. M. Thomas, Director of Risk and Audit

Mr. K. Hemmings, Head of Financial Governance

[14.05]

Senator S.C. Ferguson (Chair):

Delighted to greet you for this hearing of the Public Accounts Committee on financial management. First of all, the notice about what you can and cannot do, I think you have probably read it before but I bring it to your attention. For the purposes of the transcription, I am the Chair of the Public Accounts Committee, Senator Ferguson.

Connétable J. Le Bailly of St. Mary:

John Le Bailly, Constable of St. Mary and Vice Chair.

Deputy I. Gardiner of St. Helier:

Deputy Inna Gardiner, St. Helier.

Deputy R.E. Huelin of St. Peter:

Deputy Rowland Heulin of St. Peter.

Ms. M. Scott:

I am Moz Scott, an independent member of the P.A.C. (Public Accounts Committee).

Mr. A. Lane:

I am Adrian Lane, independent member.

Comptroller and Auditor General:

I am Karen McConnell, Comptroller and Auditor General.

Mr. R. Bell:

Richard Bell, Treasurer of the States.

Mr. M. Thomas:

Mike Thomas, Director of Risk and Audit.

Mr. K. Hemmings:

Kevin Hemmings, Head of Financial Governance.

Senator S.C. Ferguson:

Welcome, as I say, to this meeting. As you will have gathered, the P.A.C. has identified a number of recurring themes within reports published by the Auditor General and we are pursuing a programme of work to consider these in turn. We have already covered organisation, culture and decision-making. This is following up on financial management within the States of Jersey. The Auditor General has published a follow-up report of her own on matters relating to financial management so we will refer to that in many of the questions. I would emphasise, particularly for the gentlemen of the press, that the Auditor General has identified significant progress in improving financial management which is very pleasing to the Public Accounts Committee in particular. She has also reported on a number of areas where improvements are yet to be fully embedded or are

outstanding. Good afternoon, Mr. Parker. They were hoping they could get it finished before you arrived. If you would like to say who you are for the transcription please.

Chief Executive of the States:

Charlie Parker, Chief Executive.

Senator S.C. Ferguson:

Welcome to this hearing. Given the reports and the follow-up programme, we are interested to understand what the government of Jersey has done so far to implement meaningful change; what further changes remain to be made, and the preparedness of the organisation for delivery of these; what has been learned to date and how this is being taken into the plans going forward; and how the government intends to fully embed changes such that there is no ongoing reliance on key employees or external consultants, but that organisational culture and the underpinning systems and procedures ensure that lasting change is delivered. I will ask Mr. Lane to kick off with his questions.

Mr. A. Lane:

Shall we start, Mr. Parker, I hope you have caught your breath. There are a number of strands to the changes that have been made within finance within the States. It would be helpful for the P.A.C. if you could articulate those, just clearly and simply for us.

Chief Executive of the States:

In terms of finance or generally in terms of the broader change? I was not sure ...

Mr. A. Lane:

The specifics of financial management.

Chief Executive of the States:

Right. I think it might be better for The Treasurer of the States who is going to take that through in detail.

Treasurer of the States:

Thank you. Just starting with what the Chair has said, echoing what is happening in the wider organisation, I think the point in terms of how we are securing and maintaining change going onwards is that after 20 years of working in the States, I am fairly well placed to say that this is definitely the most significant period of sustained and large-scale change I have seen in this 20 years and that is part of the process of sustaining that change. Turning specifically to finance, although it is in the wider organisation, find me something that has not changed, particularly at

management levels and into administration. You start right at the top in terms of public finances, we had a P.A.O. (principal accountable officer) established which means that there is a single individual, I think he is to my right, who is at the apex of the organisation in terms of financial accountability, propriety, regularity and the three Es, efficiency, economy and effectiveness. Hot on the heels of that we have had a review of the Public Finances Law which has been rewritten and agreed by the States. That changed the way in particular that we budget over the medium term in that we have a new government plan process that integrates performance measures in their wider sense in terms of outcomes that we are trying to achieve, and what we are trying to do with the money rather than just accounting for the money. It looks at changes in terms of ensuring that income and expenditure changes are tied in the same place through the government plan and changes the way we budget for capital, so we are doing that more efficiently. It requires the Council of Ministers to pay attention to financial sustainability in the longer-term. Off the back of that we have then rewritten what were, and still are, financial directions into the new Public Finances Manual covering many of the recommendations put down or the charges placed by the C. and A.G. (Comptroller and Auditor General). At the top of the organisation in terms of governance and control we have made significant change. If the question relates to how can you backslide, as perhaps happened in the past, I find it hard to think of a way by which that could be undone without going back to the States, changing a lot of legislation, persuading The Minister for Treasury and Resources to make changes.

Mr. A. Lane:

So there are a number of initiatives going on across the States: OneGov, Team Jersey, previous discussions of the changes to finance. I think what we are looking for is an articulation of what are the change programmes that you have.

Treasurer of the States:

Sorry, I thought your question was in respect particularly to financial management.

Mr. A. Lane:

Within finance.

Chief Executive of the States:

The points that I would make following on from what The Treasurer of the States has just identified is that there is within finance a whole series of quite significant changes, whether it is in governance law; whether it is in accounting responsibility; whether it is around the establishment of an enterprise risk management system; whether there is a new finance system being put in place; whether there are changes to financial processes involving business partners. Or whether it is about simple things like faster close-down and all the work that we are doing around consolidating finance functions into one place. I think individually they are part of a broader finance transformation programme that The

Treasurer of the States was in the process of identifying and articulating. If you want to know how does that then sit within a broader programme which then ties back to finance transformation, I think there are probably, in no particular order, a number of things that we have been doing. Finance and the transformation of our Finance Law, I think if you do not get your money right and you do not have that as the basis of your organisation, you have a problem. For us, this was one of the reasons why it was an early priority following from both C. and A.G. reports, the past and the due diligence work that we have been involved in. Backing that up, we have a range of what I would call more cultural softer behaviour and leadership issues that we have been supporting with the Team Jersey programme. By way of example, how do you get people to feel empowered to take decisions at the right level, rather than just translating everything upwards? Where do you get the diversity of engagement across teams so that you can look at things in that way?

Mr. A. Lane:

If I am right from the description then we could talk about things like the replacement of the RM finance systems, the faster close, the consolidation of finance as finance transformation. If we ask the question about finance transformation in that case, what is the overall programme management you have for that activity that excludes your delivery?

[14:15]

Treasurer of the States:

During the year we made changes which are where the Finance Transformation Project comes fully into the Treasury and Exchequer and everyone who is therefore leaning on Finance Transformation reported to me. The C. and A.G. draws out that we had 2 or 3 different forums through which that took place rather than one single forum. The proposal going forward will be that a newly formed senior leadership team of T. and E. (Treasury and Exchequer) will have that single view going forward in terms of monitoring progress with regards to transformation. That is not to say that some of those projects might not be also led outside of the Treasury. For example, you take the Government Plan, its progress was acknowledged in the Finance Transformation Programme, but the Government Plan process was being driven through E.M.T. (Executive Management Team) and through the Council of Ministers, rather than being driven through the Finance Transformation Board. We have, I would describe it as, a very rigorous externally resourced programme of management function for part of the Finance Transformation, whereas we use some in-house resources for other parts. Nevertheless, those other parts have been delivered, but in order to make sure that we coordinate going forward, if I was to say how might we change things, is that coordination going forward? We have been through a large chunk, we have got lots more to do in the future, providing that single focus through the senior leadership team.

Mr. A. Lane:

Again, if we focus on the bits that you are badging as Finance Transformation specifically, how are you ensuring value for money of that activity?

Treasurer of the States:

Value for money in its broader sense, I know that everyone likes to focus on the external costs and the use of interims and the like, but if you were to be inside the department you would find that there are a range of ways in which we resource transformation projects, using local base but in particular internal resources wherever possible, but supplementing that with external support. The plan overall is to use external support and consultants where we do not have the capability or we do not have the recent experience. Or, bluntly in some cases, where we do not have the capacity. That is often a challenge for Treasury. We have a focus towards weaning ourselves gradually from reliance on our partners and, therefore, eventually getting the position where we move transformation to be embedded in B.A.U. (business as usual) and, therefore, on an ongoing basis delivering value for money. In the meantime, of course, we are looking to see and monitor the benefits that we set out to achieve. We will be next year following up the initial review of financial management maturity with a further review to make sure that we are on track to delivering what we said we would deliver with the resources that we had. We will follow that up in 2020 and then have a further assessment further down the track once we have delivered I.T.S. (integrated technology solutions), i.e. the replacement for the finance system.

Chief Executive of the States:

Of course, that will be subject to the normal challenge that you would see through the 5-case business model which gives you a value for money assumption based on that, as well for the infrastructure costs that we would have to expend money on.

Mr. A. Lane:

It is back to that point, was it subject to the 5-case business model before you started to work?

Chief Executive of the States:

The outline strategic case has been subject to that principle and as we go through to develop the final business case, that will again be part of it. The process is a strategic business case initially followed by an outline, followed then by a full business case. That will be completed, we think, by Spring of 2020. Each of those stages, you have a hurdle rate that you have to go through to ensure that you are meeting the requirements as laid down in that 5-case process.

Mr. A. Lane:

C. and A.G., I think, identified £2.9 million of spend July year to date on this strand of activity. Are you able to tell us how the total cost is assigned and what the benefits look like?

Treasurer of the States:

In terms of the majority of spend, roughly 2.7 over 2018 and 2019 was in respect of the Transformation Programme but also providing leadership to the programme. We spent initially about £200,000. Again, these are external costs when we are reporting, moving forward of course we have matured at the management of finances in the States, you would expect us to have systems to monitor the internal costs as well. That £200,000 related to the initial piece of work on financial management maturity assessment. Then as much as £600,000 or £700,000 on the Public Finances Law and the restructure of the department.

Mr. A. Lane:

Let us talk about the external consultants, but not in the sense of how much they cost because we recognise there is a need for them to come in and do things that you are not able to do. How will you wean yourselves off that support in the future?

Treasurer of the States:

Firstly, I will not have the intent of permanently and fully removing external challenge and input because, I think, part of the problem there is over a long period of time we have not brought that in. If you leave it too long, you do not get that external challenge, you do not get that view of what is happening elsewhere. In terms of the medium-term future going forward, we have started through the restructure of the department matching the skills of the people who currently work for us with the skills that we need to run the future finance function. I.e. moving from a transactional base to a more strategic base. We have already started with the coaching programme, it started last year, that used resources from E.Y. but also internal to coach existing members of staff, to bring that additional knowledge so that we can transfer it towards our team. Going forward, the key priority in the coming year will be the development of the capability and training strategy for people in the organisation from a finance perspective, but also in terms of training non-financial managers. Still, the extent that the organisation is too reliant upon the people in my team to do the job of being a budget holder for example, they need to be doing the job of a budget holder while finance adds value going forward.

Mr. A. Lane:

How will you embed that with senior folk who have not been used to having that accountability?

Treasurer of the States:

There are 2 ends of the spectrum here: one, there is sheer determination to make sure that that is the case. I have seen it elsewhere in other functions whereby they eventually start saying “no, that

is your job as budget holder". I think I have heard the phrase before, not directly, before you say it, just as a passenger, "what part of the word management did you not understand?" Back to the other end of the spectrum which is to also train them and help them undertake their role which has not happened in the past. Either that through the development of online tools, or through assistance of finance business partners as well.

Chief Executive of the States:

Just to add to that, there are probably a couple of quite practical things. In the Team Jersey Programme there are some, what we call, bitesize modules which are around accountability, your responsibilities as a manager managing things like bad behaviour, poor performance; and within the confines of the new "my conversation, my goals" framework which will establish the performance framework for an appraisal system, there are now very clear accountabilities back about financial management responsibilities at senior management level, but also for budget holder level. That process will start to be rolled out. I think we said in earlier presentations to this committee that 2019 was a transition year and 2020 would see that being embedded. I think that the bit about transferring of skills from external support into the organisation which is described, let us be clear, we are on a journey, that journey is going to take, we said, 5 years and as part of that there will be different aspects to work that we need to do to be able to equip people with the skills as we go through certain types of activity. A very simple one, and I am sure you are going to come back to this, is zero-based budgeting. Not everybody understands zero-based budgeting. We do not have the capacity across the whole of the organisation to do that in the way that we want to so we will need some support. The idea being it will be spread over a period of time because it is a priority for the Council of Ministers, it has been articulated in the Government Plan. So that we can then start to do and use that mechanism to support our Efficiencies Programme, you will need some initial support, but eventually that will become something that hopefully is transferred into the organisation as a whole.

Mr. A. Lane:

It is as if you can read this upside down.

Director of Risk and Audit:

I was just going to say, there is obviously an assurance piece for internal audit as well. As things develop then the assurance function will be looking at those and giving some assurance back to management as to whether those things are being embedded.

The Deputy of St. Peter:

Just the changing pupils' skillset and their ability to effectively do their own budgeting when they have been used to the finance department doing it, have you allocated or seen or envisaged more

of a gut feel than factor any risks associated to that? There is a lot of emphasis being put on the skills transfer and the success of that.

Treasurer of the States:

The feel I get from the team now is that they have gone through quite considerable change but are hooked for, on the back of that informal contract, if you like, that we are going to develop them. Many of the people in the new structure are enthused by the changes that they see. Notwithstanding all of that, what we have to do, and it is back to the initial question, is be clear what can be achieved and not to overload them going forward. If you are not going to overload them and deliver the things you want to deliver, you come back to the other point which is from time to time you are going to have to rely on the capacity. I think my feel, and we have an event later in this week which may give me a slightly different feel to what I am prescribing, is that they are saying that they are up for the challenge, they can see why we have made the changes, it has not been easy for all of them. Many of them are enthused by it and I think when they see what we are going to talk about in terms of the next year's transformation they will be up for it. We have had a long debate internally, the C. and A.G. will probably nod at this point as to whether some people thought we should have a new system or should not have a new system, or wonder whether we should be a single finance function of 6 separate finance functions. I think even those that perhaps in the past would have a different view, now acknowledge that we have moved forward and are wanting to contribute to the development of the new department and the development of the new systems. The Head of Financial Governance gets a lot of feedback on what the new Financial Management Public Finances Manual looks like, we get quite a lot of feedback from what the law was looking like. I get the feel and impression of a team that is engaged but obviously we have to keep on top of that and we have to keep to our promises in terms of developing them.

The Connétable of St. Mary:

The C. and A.G. has identified that while financial planning now aligns to the strategic plan, there has been little progress with supporting plans such as the States or People. What work has been done to ensure a complete financial view can be developed incorporating other plans, like a States People Demography, and the Migration Policy? It is a whole range of things which couple together.

Treasurer of the States:

That was looking relatively straight forward until you opened migration. The first thing I would say is the first Government Plan has moved forward in terms of getting away from it just being about the finances but integrating performance and outcomes as well. You are right to say there are headlines in there in terms of what we were looking to change in terms of people management going forward. The timeline for a People's Strategy is the end of this year which will allow a further focus there that will look at workforce planning, talent management, succession planning, as well as the usual

constituent parts. We are working towards completion of outline business case in respect of office modernisation. As I understand it, a wider Office of States Strategy will be forthcoming towards the end of the year as well. That is those two sides of the coin. In terms of migration, C. and A.G. has made points about having scenarios in place and I think the F.P.P. (Fiscal Policy Panel) covers this particular issue in previous reports as well at different levels.

[14:30]

Of course, we do, when we are talking about actuary reviews of pensions schemes, we have it at different levels of immigration. That is very appropriate when you are looking at something as long-term as pension changes. At the moment the Government Plan is focusing on a short to medium term strategy, where even quite large changes in the levels of immigration do not have a great bearing. What we need to do is move from just having a document that looks at medium-term finances to also revisit it in the near future, something that looks at a longer-term view of our finances over a 20- to 25-year period, where migration in particular has a much larger impact.

The Connétable of St. Mary:

Can I ask a further question on that, it is with regard to migration. We cannot stop migration; it is important for the Island in order to continue with everything else we are doing. How do you envisage capping migration, or is there an intention to let that find its own level?

Chief Executive of the States:

There is a Policy Development Board which is looking at this whole issue at the moment which we report, I think, early in next year on an interim position and then take that work forward. In so doing, it is looking at a number of interrelated strands that impact on that from obviously the knock-on effect on the housing market, what does that do in terms of a whole series of costs that the Island has to deal with. The Treasurer has made the point about social security tax and other issues, pension being another one, where depending on the demography and the demographic shift in the workforce that has ramifications for the age profile of your workforce going forward, and what the economic viability of all of that is. Underlining that is the issue about an economic framework, so what do we want our economy to be? How much of that is going to be influenced by set amount of skills in certain areas of the economy? What do you do about automation which is coming through? So I think the Migration Policy Development Board's work, which is looking at a lot of these things, is underpinned by what are the financial ramifications. And we will be able to report back, I think Minister's will want to do that initially, I do not think it is for civil servants to make a comment about what the implications might or might not be.

The Connétable of St. Mary:

You have already indicated that you intend to bring in zero-based budgeting. It was one of the questions I asked so that has been answered basically. How do you expect the cultural change that would make government departments more willing to be challenged externally with respect to spending?

Treasurer of the States:

Firstly, I think it is fair to say we are on the first steps of that particular journey, in that the changes, such that we have a Principal Accountable Officer, put in shape the legal framework to provide more of that challenge because the ultimate responsibility rests with the, not putting any pressure on him, rests with the P.A.O. (Principal Accountable Officer). This changes the structure of the organisation and therefore requires the people who report into the P.A.O., i.e. accountable officers, to be able to justify existing spend and the economy efficiency and effectiveness of that spend. Added to which, the fact that you have a single finance function adds to that cultural shift as well in that it is fair to say, and I have had experience of it in the past, that finance directors have seen themselves very firmly aligned to protecting the budgets of departments, and looking for those incremental gains to budgets rather than necessarily taking a corporate view. That is not to say that they have not been engaged in trying to make sure that those departments make the best use of those resources. What it is to say is perhaps resources at a corporate level are not put in their place where they could deliver the best value. Each of those departments, just as you see with business externally, then create their own infrastructure, their own back-office infrastructure and such like. Now that you have got that view that is across the States, led by a single individual in the organisation who leads a team equally, you have got more levers by which you can get into the cross-cutting theme. You can look at administration across the organisation. We have just looked at finance across the organisation and brought 6 teams into one which will then further down the line deliver efficiencies. You have got the opportunity as well to bring all of I.T. (information technology) together, which the OneGov model does, in a way that we all thought perhaps we had done in the past but then found there were key parts of the organisation that were less embedded in terms of corporate view than before. Those are our key parts of that. Then, you are right, zero-based budgeting will provide the opportunity and a set of tools which hopefully everyone will understand and, therefore, everyone will hopefully trust in by which we could deliver or assess current efficiency through benchmarking and such like, and deliver further efficiencies.

Mr. A. Lane:

When and how do you plan to launch that?

Treasurer of the States:

It was discussed at a ministerial level; I think my word count at the meeting last week was quite high on zero-based and budgeting. Which left me with the motivation by the end of the meeting to talk

to people in my team to say that we need to have made progress by the end of the year in starting up the initial team for zero-based budgeting. I would like that to be a combination of internal and external resources, and it will, but it will require external resource to start up the model, if you like, but also to start those initial reviews as we then look to pass the skillset to our home-grown talent.

The Connétable of St. Mary:

As you complete the identification of efficiencies in the Government Plan, exactly what is the timetable, and when you reach the end of that timetable, is that a stop or will you keep going?

Treasurer of the States:

There is no intention for this particular set of efficiencies to be the one-off, the £100 million target for the whole of the front Government Plan period. We will require ongoing creation, if you like, innovation and delivery of those savings. In terms of the reporting timetable for 2020, that is in the, I have not got the dates precisely, but later in October we committed before the end of October to have delivered those to States Members in terms of the plans for the £40 million. The first £20 million at a broad theme level are laid out in the Government Plan, but the other £20 million will be set out in an Efficiency Plan. My understanding is that Ministers are supportive of the proposition that will be before the States to embed further on those plans in each successive years' Government Plan. The delivery of efficiencies will not stop at October, it will require ongoing termination but also ongoing attention and considerable team across the States to deliver those efficiencies. We envisage that the investment in I.T. will contribute significantly to those particularly in the latter part. There are other opportunities in the meantime including zero-based budgeting and looking at what we do to deliver the savings in 2021 and 2022.

Chief Executive of the States:

Just to follow-up on that point, the Chief Minister gave a commitment to the Government Plan Scrutiny Body that we would provide briefings along the way on efficiencies. The first detailed discussion took place last week, unfortunately not that many States Members from that Panel were there. What was agreed was the mechanism for the first £32 million now to be identified with short-forms and long to support the overarching numbers to be provided hopefully by the back end of this week, if not very early next week. This will enable Scrutiny to get on with that first tranche of reviewing the efficiencies that have been identified by the Council of Ministers. That will be followed by a second wave of circa £7 million of additional efficiencies where again, we will provide that detail in advance of the total £40 million programme that The Treasurer of the States has just referenced. Within that, we will also give a look forward to the approach for the remaining period of 2021 to 2023 picking up on the point about technology. Clearly, we have got to get through the Government Plan Scrutiny but if that investment is not agreed, that has a very significant impact on the back end of the Efficiencies Programme and the assumptions that the Council of Ministers have made because

it takes at least a couple of years for the technology to come on stream to be embedded and then start to become functional. Going back to your question about finance transformation, we have always acknowledged that the investment that goes up front as we put the system in, having gone through the various business case processes, will require us to put more interim temporary support in. At the end of it though you will take out a bigger number for the core establishment as a consequence of implementing that and automating the process, which at the moment are clearly not there. There is a cause and effect by the investment decisions, the way in which the plan is structured, which will require, I think, people who are scrutinising it to see it in the round. The first year's commitment, i.e. the £40 million, is also predicated upon the Council of Ministers deciding that they did not want to be using that as an attempt just to take x percentage out of controllable expenditure figures. What they want is a more nuanced programme of efficiencies which is less about headcount and more about back-office efficiencies, improvements to processes and systems that we currently discharge. It picks up on a lot of the concerns if you go back to the C. and A.G.'s reports that we have been going through systematically over the last year or so: looking at the recommendations, looking at the areas where we have got duplication, looking at those issues where we have built cost into our systems and activity which could be stripped out and would be relatively straightforward, without harming frontline services or making people redundant in the way that I think at the beginning of this process, an assumption was made. Linking back to that we have some forecasting work being done. By way of example, we have raised it here before, our demographics in the workforce mean we have quite an ageing workforce in the public services. Over the next few years we have to manage that process. That will see, by natural wastage, people coming out of fulltime or permanent employment and either retiring and/or deciding to do other things. We have a problem at the other end of the spectrum, going back to your point about migration, we have not got enough ladders and progress for career pathways so we have got to have an investment right at the front about skills, about type of people we want to bring into the organisation, which trains up Jersey people to take on jobs, picking up on your earlier point about sustainability. By way of example, in finance we do not have a comprehensive training and support programme for getting people qualified, do we want to bring graduates in? Are we going to establish our own modern apprenticeship for finance and accounting? Of course, we cannot compete with the market out here so we have got to look at growing our own at a different level, often that will be younger, if we look at the workforce demographics in the department. Similarly, we have got that elsewhere in the workforce. A big part of the investment, going back to your question of the Government Plan, is in the people investment upfront. What do you do about training? What do you do about skills? What do you do about talent? How are you going to look to create a pipeline of long-term employment opportunities for Islanders?

Deputy I. Gardiner:

Following development and how we will go into the future, although the agenda has welcomed a replacement of Public Finance Laws and supporting principle based on the manual. At the same time, we still have seen limited progress in the wider system of internal control and limited engagement of the directors. The next couple of questions I would like to concentrate around development of accountability frameworks. For this, very briefly, can you please describe the process adopted for development of the Public Finance Law and Public Finance Manual.

Director of Risk and Audit:

The Public Finance Law goes back quite a long way to 2017.

[14.45]

Deputy I. Gardiner:

Just the stages.

Director of Risk and Audit:

There was some external support from KPMG involved in that process. A lot of interviews took place with key stakeholders to understand where the law was and where it was going and what was needed. Within the departments, cross-departmentally, there was a steering group, a Finance Law Implementation Group that met on a regular basis. That came through to, earlier this year, there was a challenge from C.O.M. in terms of senior politicians getting involved in and understanding what was in the law and what needed to be in the law. Then the scrutiny process itself.

Senator S.C. Ferguson:

Can we keep answers fairly brief and succinct.

Deputy I. Gardiner:

We are talking about the process, but if we are looking back, can you give me 5 bullet points, what lessons were learned from the development of this law; what could be done better; and how will it apply in the future. Pick up the 5 main points, what lessons were learned.

Director of Risk and Audit:

One of the lessons would be the use of a cross-departmental group to challenge that process. The Head of Financial Governance was heavily involved in that. In terms of other lessons learned ...

Deputy I. Gardiner:

What can be done better?

Director of Risk and Audit:

The timeline was challenging so maybe a slightly more formal project group to respond to that. The way the process rolled out. Just in terms of the law, would you like me to come on to the Finance Manual as well? The Finance Manual itself has equally developed with a group of people across the organisation with quite a clear timeline running alongside the public finance law, with a group of departmental representatives involved in that process.

Deputy I. Gardiner:

Okay, so one thing that can be done better is time management. What else have you learned, can anything else be done better?

Treasurer of the States:

In terms of comparing it with some of the other transformation work we have done; we perhaps blurred the rule between those who were leading the project and project management. I think if we were to run it again, we would provide some additional resource in terms of project management that then reported up through the wider changes in the organisation. In terms of when we talk about making the transition from external support to internal support, I would say that in this case in terms of those who led were the right people in the right roles at this point in terms of it being their job going forward to develop the financial governance framework. They brought with them not only the expertise they have had over a period of time, but experience of the organisation. It was almost like one end of the spectrum compared to finance transformation, a bit more external challenge, we did have external support. This piece of work on P.F.L. (Public Finances Law) came out of a view from across the world as to what was happening in public finances laws elsewhere. Predominantly, perhaps more of that external challenge that was a yes, but. Additional project management resource to support those that were bringing it through, because as we were going through this change, we were also going through an entire reorganisation for finance and that often led to people having competing pressures, which is perhaps a story of the last decade or so. Those were the areas where I think we would take some learning out.

Deputy I. Gardiner:

I would like to specify a question for the Chief Executive, the lessons that were learned from this process, how can you enrol them in similar development in the wider corporate government framework?

Chief Executive of the States:

I think the point that The Treasurer of the States has just referenced here is that in an ideal world you would have more time and you would potentially do some things more sequentially. We did not do that quite deliberately because there was a need to make changes, particularly to the finance

law, because we had a problem where laws had been built on each other. We were getting into a place where we had some bad laws, the reports coming from the C. and A.G. have identified that. Before I even arrived, the Solicitor General had a meeting with me in which he made it very clear that we have quite a lot of contradictions in our law which meant that we were not best practiced as a jurisdiction. There was a demand and a need for us to do things. In retrospect, if you were doing something as big as that elsewhere in the organisation where you have a whole host of laws, a good example is the Children's Law changes that we are making, we have taken a longer-term view to get those through and we have done that in an environment where we have taken money and resources, got that ready, put it into the Government Plan, identified the programme of how we are going to do it, established the right project management functions et cetera. The learning from things like this has been for a more structured approach going forward. We did not have the luxury to do that with the P.F.L.

Deputy I. Gardiner:

It sounds like lessons have not been ...

Chief Executive of the States:

I will be very clear, we had to make these changes, they were already starting to look at these changes before I arrived, the way in which we have executed them was circumstantial in terms of timings. The learning is where we know that that has created some pressures, we have sought to change that going forward. I use the Children's as a good example. Saying that, the other thing that I think, and it would be wrong, the P.F.L., I think we needed better, broader engagement earlier from the Scrutiny, because we put a lot into Scrutiny to understand the implications and ramifications. The one thing that I would say is we cannot control that, it is not of our making, but we can offer and provide the support for it. The way in which we look at that going forward, for example using the Children's legal changes again as another example, is how do you build that into the Scrutiny work programme so Scrutiny feel that they have had enough time to be able to go through these things.

Senator S.C. Ferguson:

Thank you. Deputy Heulin?

The Deputy of St. Peter:

What progress has been made with the business case for the replacement of the accounting systems?

Treasurer of the States:

The progress that has been made is that we have included requests in the Government Plan for the capital costs over the period, but also the initial revenue costs that arise from that. We have worked with our strategic partners, E.Y. in this case working with us, to develop over a period of time the outline business case, looking at the case for change but then looking at the options for which we would deliver it. The outline business case has now been adopted and will now move to the full business case which will also look at implementation and refine down in terms of those last options that we believe are the viable options in terms of delivery here. It is absolutely critical that this programme keeps to time. At the heart of it, without the transformation in our I.T. we are limited to the extent we can improve financial management; we have obviously got other modules working. The key to unlocking this, as well as the integration between in particular H.R. (Human Resources) data, people services data, and finance is the delivery of the new system.

The Deputy of St. Peter:

What are the expected targeted paybacks in terms of financial savings, control improvements and other soft benefits that you are hoping to realise from this fundamental investment?

Treasurer of the States:

There are a number of benefits, and you will forgive me for going to them, but off the top of my head we are anticipating up to a 20 per cent saving in the finance team in particular, pencilled in this stage to be validated through the outline business case just short of £2 million in terms of expenditure savings. We also anticipate, however, cashable savings in terms of I.T., the same sort of level. At this point we are need to do some more work on the full business case to identify procurement, but in particular people services savings that will arise as a result of moving to a more automated system. In terms of wider benefits, however, perhaps the most important and where I would like to start would be it will reduce potential for fraud and error, it is almost like that base case for what you would wish for if you were a treasurer. It will improve the control environment in terms of internal controls. The number one risk at this point would be our risks relating to cyber, it will improve that as well in terms of having data in one place integrated rather than across a number of systems, be that in finance, be that in people services. It will allow us to divest ourselves, rid ourselves of our over reliance on spreadsheets, being able to look at the data directly rather than having to hope that the last guy who was working on the spreadsheet put the right number in the table at the top to ensure that the forecast was right. It will enable us to provide better forecasting going forward of forecast spend as well on a more timely basis. At the moment I cannot over-exaggerate the extent to which there is manual intervention every time anyone asks us a question. We will also take the opportunity, because you could say that we do not need to do some of this, we do not need to make the investment, in examining the way we put together our statement of accounts, our chartered accounts, trying not to let them descent into that very bespoke world it is at the moment where each

team has a slightly different opinion on how they want to classify a pencil, and taking a higher-level view at the same time. Sorry, that was shorter than I intended.

The Deputy of St. Peter:

How are you managing the risks in the short-term of the unsupported spreadsheets and the human errors that arise?

Chief Executive of the States:

Nervously. We should not underestimate the fact that there is very limited assurance that we can give on some of this.

Director of Risk and Audit:

I was going to say I am as nervous as my two colleagues, but quite a lot of the internal audit we are just focused on that compliance stuff at the moment. The hope would be further down the line we would be able to move away from that, but very much so at the moment is focused in on those basic core transaction systems.

Chief Executive of the States:

We are almost diverting the resource that we should do in other things to just what I would call to enable us to get through this phase. A good example, you will know this, Comptroller and Auditor General, was when we did our accounts closure at the end of last year there was a single assessment in that that ended up costing us a number of weeks at the end of the process which we just could not have foreseen in the normal course of events, a press of the button would just do that. That probably was a month, God knows how much time, human effort and also nervousness back into the system. There is a genuine imperative here to be able to do this for all our wellbeing and security but also generally for about what good practice should be. It is that bad.

Mr. A. Lane:

Do you have an estimate of the operational cost or operational loss that might be arising from that across fraud and error?

Treasurer of the States:

I think much of the saving is driven by an assessment of that. Obviously, that is an outline case and we need to drill down while we conclude the full business case. But that saving is driven by an indication of what other organisations have achieved through going down this route of replacing the system, but at the same time going down that route of replacing your systems but changing your processes at the same time. The vast majority of this project is not about putting new I.T. in, it is

about changing our processes as we move down that track and not allowing too much bespoke and too much specialisation in the individual teams.

Senator S.C. Ferguson:

Do you think we will get away from the, I recall 6 weeks to get a figure for photocopy?

Treasurer of the States:

Lots of that data is run from the separate system to the ledgers, so it is just another example of data being in different places at different times. Whenever we provide records, for example, of the cost of travel and such like we say these are the costs that are being recorded in this system, there may be other costs elsewhere. If we were to go and try and track all those down, we would be going for another 6 weeks of people running around.

[15:00]

Chief Executive of the States:

The manual transfer of data, or the upload of data manually, is quite significant and was pointed out in the due diligence report by the number of adjustments that have to be made. In the normal course of events, those would be a minimum. We have numbers that far exceed anything that you would see in other places because as The Treasurer of the States has pointed out, the systems do not talk to each other. You can key into one, you print it off that system, you then key it into another to be able to get the system to come out at the other end of the sausage machine. The adjustments piece is absolutely significant. Going back to your point about risk, of course, human error then becomes quite significant for the assurance, again for yearend accounting. While I am not suggesting that colleagues have not gone meticulously through that time and time again for verification, of course that is wasted time, effort and money.

The Deputy of St. Peter:

These projects are difficult to deliver in the best of times with a fair wind behind you. What you have described is probably the worst-case scenario with masses amounts of times, structures, data, potentially, that you are having to bring together. How do you intend to deal with that and how do you intend to select the process for appropriate partners / vendors who are going to assure that you deliver this fundamental project?

Treasurer of the States:

There has been quite some extensive work done in terms of looking at the options as to how we might replace the system, i.e. whether we might use someone else's system and run our finances off that system. Or whether we have our own systems developed, whether it be a complete system

or be it where we think we are going to go which will be a best of breeds. We will look at the components that will speak to each other but choose the best that suit for the management of people compared to the module for running finance. We will now have an extensive process in terms of money running through the full business case that will concentrate now more towards the commercial element of that and the management element of that in terms of deliverability and viability. We will run through a full tender process making sure that we have the right partners on board in assessing those contractors. This project, I think we probably have described it as moving from the treasury as it moves from outline business case to moving to full business case towards the C.O.O. (Chief Operating Officer) responsible for modernisation and digital I.T. systems. However, that will be to over simplify what we will put around this project in that it very much, as I said earlier, is about changing not just, because it does apply to H.R. and elsewhere in the organisation, but our financial processes. It will be very much a partnership in terms of making sure that we have the right people in terms of the implementation of I.T. but also partners that we can work well with in terms of delivering the process change that we need to.

The Deputy of St. Peter:

So you define the processes then automate them is the simplest way of doing it. Can I have one more?

Senator S.C. Ferguson:

Yes, what I was going to say was have you time just for a few more minutes? We will keep our questions brief if you keep your answers succinct.

The Deputy of St. Peter:

Can I just finish off on you mentioned, I think it was The Treasure of the States, that technological investment's approval in this Government plan is fundamental or key to the 2021, 2023 delivery of the savings that you are going forward. I have been through this, are you assured that that comes over clearly within the Government Plan of the specific investments and the importance of those particular investments that you are asking to be approved?

Treasurer of the States:

If it does not, that was in part why I made the comment.

Chief Executive of the States:

Let us be clear, the Efficiencies Plan will be making it very, very clear the link back because if it has not been understood and everybody is entitled to interpret, I have heard it said and I am not suggesting that this is all States Members, that this seems an awful lot of money and can we do it and why should we do it? It is not a lot of money. Our original assessment about what was required

to bring the States up to where it should be was probably 4 times the amount. This is what we think is the right pitch that is, for want of a better word, digestible for the organisation to deliver on time and for us to be able to afford in this Government Plan period. Such is the paucity of our I.T. infrastructure, we have a real, real long-term requirement to look at significant investment going forward.

Mr. A. Lane:

At that rate, how long-term will that be?

Chief Executive of the States:

Technology is changing massively at the moment which is the other challenge. One of the decisions we have taken around the technology programme is to look at the 4 pillars between health, benefits, tax and government operations because they all speak together to get those basic building blocks right. I think that the long-term investment is probably required over a 10-, 15-year period. In that next 10 years it is going to change so dramatically that one of the reasons why we have taken a prudent approach is to let us see where we go. Going back to the point about best of breed, that is all changing. One of the things that you will remember from your time doing these things, we are not buying lots of kit, we are buying licences now, we are then getting upgrades that link to that, that reduces a certain amount of cost. It means that you have got different requirements between revenue and capital expenditure which is also a big challenge at a time when you are trying to reduce your overheads and your core costs on your revenue side. Going forward, back to the original question about the efficiencies plan, this plan takes us to 2023, efficiencies are part of what you have to do if you are creating effective government and you have got to reduce your overheads because tax payers will not like you if you do not. To do that, going forward the period of investment in I.T. will continue.

Ms. M. Scott:

In light of the risks that you have ...

Senator S.C. Ferguson:

As I say, keep it succinct.

The Deputy of St. Peter:

We must not underestimate the scale of what you are trying to do, given the starting place and the costs that are required, that is the point I am trying to make.

Ms. M. Scott:

You have identified some risks that seem to have been tolerated by the organisation for a while. The Comptroller and Auditor General has been emphasising the need to embrace risk management as an integral tool of management. How will consistency in departmental risk registers and cross-department learning in this area, i.e. finance management, be delivered?

Director of Risk and Audit:

We have already started a Departmental Risk Group which has got representatives at a very senior level from each of the D.G.s and beyond, to be fair, across the organisation engaged in that process. There is a peer learning group that meet on a 2-monthly basis and then the intention is for them to ... they have already embraced the risk management strategy and the guidance and review that we have already produced so they have had the opportunity to comment on that and then think how that works in their departments. That will be a filter through to the executive management team and above.

Ms. M. Scott:

Great. What measures are being taken to make the Audit Committee effective in this area given its current inquorate state?

Director of Risk and Audit:

The Audit Committee is now the Risk and Audit Committee which was from last year which is an important change. The Chair of that committee has a background in risk rather than what you would initially think maybe in accounting or specifically in audit. We are currently out to advert on Risk and Audit Committee members, we lost 2 in the year, one decided to move because of end of term and another got another appointment within government which meant he had to move. We have currently got 4 or 5 applications in which we will look at this week and I am pleased to say some of those are very positive in the sense of the types of skillset that they have got that I think we are looking for. We are looking to recruit into those positions as quickly as we can. We need one to be quorate in October and then another 2 by November for the December meeting.

Ms. M. Scott:

That is good, is it just a matter of filling places or is there more to be done to make it effective?

Director of Risk and Audit:

Filling places is important, who we get on that committee I think will improve the effectiveness straight away by the fact we are quorate. I think we will set out some indicators of what we see as key outcomes for next year in relation to the committee and the way it develops and that will be in conversation with the Chair as well.

Chief Executive of the States:

Just to follow up on that, I think we have an opportunity with the reconfiguring of the board and the committee to enable us to change slightly the direction and remit of the group. I think it would be fair to say that there has been quite a wide-ranging discussion about where does it add value to the existing processes? By way of example, this committee is really important, the C. and A.G.s role is really important. What you do not want from the Risk and Audit Committee is them trying to undertake roles that are already defined. The second bit for me is what does it do around risk as well as audit? There is an internal audit programme that we need to strengthen and we are in the process of doing that. But risk has been one of the biggest weaknesses which is consistently identified in C. and A.G. reports which this committee has been, excuse the pun, banging on about for some time. We have to take that and start to really change the way in which we consider and look at avoiding it to be a tick box mentality, and fundamentally appraise ourselves of what then we have got to do to assure government and the States, and it is both, that we are doing the right thing. Going back to this last item we talked about, it is a big risk when you have got significant amounts of investment like that because we have been here before where we have asked for large amounts of money and then not necessarily delivered the right types of initiatives that have failed to perhaps give the outcomes and the benefits that were suggested in the business cases. There is a link there, business cases were not always as robust as they needed to be, we have changed that. Secondly, there was an expectation that you go for money without understanding the tail and lead in, which I have tried to explain to day why it is so critical that it takes 2 years to get some of this stuff on board before you see the benefits. Thirdly, it is about ensuring that we have the right skills, going back to an earlier question you have raised. Again, this has come out of your reports to us which we are now going back and looking at. Finally, it is about understanding what good risk management looks like. The training and the development of that which we have started. Be under no illusion, it has started, it is not yet embedded and that is a big issue for us. We are taking the learning, chunking it up into activity and then the Risk and Audit Committee, I think, can do some things like deep-dives, specific focus on key areas where there is criminality, skills transfer of big projects, all of that.

Ms. M. Scott:

With the necessary resourcing. There is quite an interesting conundrum here because risk aversion in the public sector has been identified by Team Jersey as a barrier to necessary cultural change, but on the other hand we are saying you have got to improve your risk management. How will employees and officers be encouraged to report risks on a complete and timely basis without fear of reprisal, given the culture that you have inherited?

Chief Executive of the States:

I will ask The Director of Risk and Audit to come back on the technical piece, but just culturally, one of the things I think I said earlier was as an organisation we tend to pass everything up, so people

are absented from taking decisions and responsibility. We have to hold people to account, but you do not hold people to account until you give them the support and the training necessary to be able to do that. Again, going back to the Team Jersey design, we have got some modules about difficult conversations, about being given the confidence and permission to be able to do things without the idea of necessarily having reprisals. There is a very important other part of that, some people, and I am not suggesting this is endemic, but there are some people who will use things as an excuse not to do things. Accountability, management responsibility, people being paid to do the job that they should do, we have been very poor at determining whether people are discharging their responsibilities right. So if you are not making decisions around risk or around financial probity or around managing your people appropriately so you give confidence to staff that they have got an environment which they can grow and develop, then we should hold those people to account.

[15:15]

It is not a question of saying sorry, I did not have permission, it is also about what did you do to give people permission? It is a very subtle but very important piece. Secondly, we have got to be able to, as part of our risk culture, take risks which means that we make mistakes, but we learn from them. When we have talked to the Chair here about P.A.C. work in the past, we have never taken the learning, we have just stacked up the criticism and parked it over here. What you have been trying to get us to do, and this is all part of the tracker, is what is it that we are not going to repeat going forward? We will still make mistakes; we are not not going to do that while we are in transition. The fact of the matter is, you have got to go back and say this is not the first time we have ever done this so what is it that happened that we can learn the lessons of which means that we then go forward understanding what the risks might be. I think it is that cultural shift. Team Jersey has a module in it which is starting to address that whole area about giving people confidence to make those decisions at the right level in the organisation, but also to take with it the responsibility for holding people to account. I know, for example, not that long ago I had a conversation with a senior member of staff who was blaming everybody under the sun for something, there were two fundamental bits that they had not done. It is no wonder that people below them in the organisational hierarchy felt either unable to be able to point out the risks for fear of reprisal, or not having the confidence to know that that is not going to be dealt with in the same old, same old way.

Ms. M. Scott:

So you are going to transform all these managers? How do you make sure that they walk their talk?

Chief Executive of the States:

Two things, the transformation of that will take time so the programme is not something that will be achieved overnight. Secondly, the revising of my conversation, my goals, holding people to account

is all about that, and therefore there are many more touchpoints where we go through that. Thirdly, it is about changing the way in which decision-making is done. One of the big things, just taking the efficiencies programme, we are establishing cross-organisational groups of officers are 3 levels, 2, 3 and 4, to take responsibility for looking at efficiencies because often it is them working with people on the front line who will understand how the organisation works which gives people confidence. It is driving down on decision-making, raising the strategic responsibilities of senior leaders and then having the mechanisms to work round that to hold people to account. It will take time. It is a big shift but it is the sort of thing that we are engaged in now and we are putting the building blocks in. I am confident then that Director of Risk and Audit's work around risk, and he can come in now, will be able to buttress. If you do not buttress that with the formalities of a better risk management programme, we will just be back to tick boxes.

Ms. M. Scott:

You are the one accountable, how do you see and test this?

Chief Executive of the States:

Well, we have got initially to do 3 things. In the accounting letter that each of the accounting officers get there are certain assurances that they have to give me back as the P.A.O. I want to understand what that looks like. They will have to produce the evidence of that and where and how and what that means going down through the organisation. That is one of the key pieces, that the letters which are summarily given at the beginning of the year are followed up and there is a transparent process behind that which gives me assurance. Secondly, that means that they in turn have to have assurance going down the organisation. There is a formal bit. Then there is the Team Jersey programme which we need to have a look at and see how those modules are working for the reasons that I have just rehearsed. Then there is the people investment in the People of Service Strategy which is due to be launched to S.E.B. (States Employment Board) at the back end of this calendar year. That starts to have a look at all of those things around are we giving people the right skills and training to be able to undertake the task that we are setting for them of which, within that, the assurance piece of risk is a key bit. Finally, all that risk group that The Director Risk and Audit has talked about and all that work is going on in parallel to that..

Director of Risk and Audit:

Just to go back to one point, as the Chief Executive has said, part of the wider governance framework which we did not get into in a detail before has risk management as a key part of that so the assurance performance management piece is crucial. I think I will have felt as I have failed if we do not get it embedded into the effective decision-making because we can have a strategy and we can have some documents and a register but that does not make any difference. It has been really good in recent weeks to see that it feels like it is starting to have an effect but there is still a

long way to go. We are mapping across the whole of the organisation where there are risk registers, what they look like, how people are using them. We are talking to departments through the risk group, but also individually in projects or different programmes about what training needs might there be and see what we can do to have a conversation about meeting those needs. Again, that conversation is happening with the Team Jersey team as well and the training team about how could be embed that into the longer-term. It will take time to come into being but we are committed and we are growing the team to help do that. At a corporate level, in the department we need to leverage off and make sure the departments understand this, that is a crucial part.

Mr. A. Lane:

Could I just pick up on some of those themes, just going back to the questions that Deputy Gardiner was asking. If we went back to the Public Finances Manual, how will you ensure there is a culture of compliance around any exceptions from the must descriptions that are in there, and that those genuinely are exceptions and we are agreed they are justified and subject to scrutiny?

Director of Risk and Audit:

There is a breaches and exemptions process in place and managers will have to document what they have done around those non-compliances, as it were. That will be monitored, currently through the Internal Audit Team, but we will potentially move it to the Financial Governance Team over time. Then that will flow into the broader training piece.

Mr. A. Lane:

How will you ensure that the directors general sponsor that adoption?

Treasurer of the States:

The difference between, if you like, going forward and now would be to take that all the way to E.M.T. and to show that it matters rather than it necessarily being shown as just a process by which you twist the Treasurer's arm and they sign up on the exemption. What we have not done is the reporting upwards so that while I may see things and those things from time to time are reported, we can also have that sit down with those at the top table of the management of the organisation to ensure that they understand exemptions are supposed to be just that. If I got 10 seconds to add to the bit on risk that has been quite amply answered so far, the other part that I would say that is key to this in terms of making it different from what it had been previously is a shared understanding of our appetite for risk. Often you will find that people are risk averse because they do not know the extent to which the organisation is willing to take risk and to help them make their decisions and to empower them to make decisions. A key part of this is for us to articulate our appetite for risk in different circumstances and different parts of the organisation.

Senator S.C. Ferguson:

To finish on a high note, I think you have a question, Comptroller and Auditor General?

Comptroller and Auditor General:

I think you are quite strongly aware that I had issues with the old F.D.s and in particular with the culture that then almost arose from the fact that they were not always that well drafted, if I am being kind. In my view, if you have a must, a must is a must, and if you then blur it too quickly and easily with exceptions then you begin that process which happened to the F.D.s of people regarding a must as an optional. If, as you already have within your manual, you have significantly reduced the volume of musts to make them apply to where they are truly important. What are you going to do that you ensure that you really get a change in culture where exceptions are extremely unusual and that there is a degree of push back on them, and that the manual itself provides the control framework that you need, particularly as you go through a change process which always puts a degree of pressure on a control framework. How are things going to change on that in terms of the culture around musts?

Treasurer of the States:

It is a very good challenge and I think internally from a treasury perspective, as you say, we had that many musts, I think you made the point in one of your previous reports that it was quite difficult to fully comply. Therefore, you perhaps had to be quite flexible in allowing people exceptions or exemptions from particular musts. I have said that most times that what is pleasing is that there is more wide-scale reporting of some of those quite trivial musts that crossed my desk I am sure in way to encourage to reduce the number of musts so that we do not have to feel the paperwork in. The challenge for me in this regard will be you are quite right, we reduce the number of musts, we have moved to a series of shoulds. I think the area of shoulds becomes very important because these sets of principles should drive us to a common way that only be exception you should be doing something differently department by department. We need to move from exemptions to the musts to looking at the broad range by which people may take advantage of moving from musts to shoulds and exercise control over that. The challenge is well and good that we should therefore really make it exceptional not to get through the must hurdles. I think The Head of Financial Governance has already thought of that.

Chief Executive of the States:

I know this might sound a bit ... there will be a transition because some people, it is inculcated in them so they see it as the norm to be able to do that. That is changing, it is not for the lack of challenge. It goes back to my earlier point that if people make decisions late in the process because it is learnt behaviours, and they have not got the confidence that they can make those decisions in an environment which is absolutely right and we learn from a mistake, but does it at the last minute

because it is a way of ensuring that they will not get crucified for it, that is really quite important. The bit that goes with that is we do not have a proper competency framework at the moment about people and I think, Mr. Lane, it goes back to your earlier question. We have an interim behaviour framework being developed at the moment as part of our core leadership accountabilities. What we are trying to get out of that is to support the improvement in management accountability, financial planning, project management, to improve the capability of people to be able to do that as part of their day job. Going back to the other point that was a subliminal issue earlier is management of exceptions in those situations often comes because people do not understand their roles and responsibilities as being accounting officers or budget holders that they need to then discharge. It is a bit like being a manager, you do not just outsource all your H.R. problems to someone, you have to manage people and teams and do it properly. We have not had that for some time and unless we get that right, you will get people doing what perhaps is not best practice.

Senator S.C. Ferguson:

Do we need to learn not to equate accountability with blame?

Chief Executive of the States:

Absolutely. This bit about learning, which I think is a theme that you have been trying to work through, is absolutely fundamental in order for us to be able to give people the confidence to understand why you do not do things going forward in an environment. Do not get me wrong, you cannot cover up bad practice by the excuse that you give people. If someone is going to defraud you, I am afraid that is not the same as learning how to use resources differently, if you get my drift. It is really important to be able to ensure that we give people confidence to be able to make mistakes in an appropriate way where you do not then keep making the same old mistakes.

Senator S.C. Ferguson:

Super. Thank you very much indeed, Mr. Parker, Mr. Bell and Mr. Thomas and Mr. Hemmings. Thank you very much indeed, it has been a pleasure.

[15:29]