

# **STATES OF JERSEY**



## **STATES AUDITORS: FURTHER EXTENSION OF CONTRACT**

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**Lodged au Greffe on 22nd July 2003  
by the Finance and Economics Committee**

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**STATES GREFFE**

## **PROPOSITION**

**THE STATES are asked to decide whether they are of opinion –**

To approve the further extension of PricewaterhouseCoopers' contract as States Auditor for the period ending 30th April 2005 to cover the audit of the 2003 and 2004 States of Jersey accounts;

**FINANCE AND ECONOMICS COMMITTEE**

## REPORT

Article 11 (1) of the Public Finances (Administration) (Jersey) Law 1967 states:

*“The States shall, on the recommendation of the Finance and Economics Committee, appoint on such terms and conditions as the States may specify, a person or firm of accountants to exercise the powers conferred and to perform the duties imposed on the States Auditor by this Law.”*

Price Waterhouse (now known as PricewaterhouseCoopers) were first engaged as the States Auditors in November 1993 with their first audit being that of the 1994 States of Jersey's annual accounts. This contract was renewed in 1996 for a further 3 year term covering the audit of the annual accounts for 1997, 1998 and 1999. In April 2000 The States approved a further extension to the contract of one year, and in April 2001 a further extension of 2 years.

The fee for the audit of the 2002 accounts was £145,000 plus out-of-pocket expenses. PricewaterhouseCoopers have confirmed that they would be willing to continue as States Auditor for the audit of the States of Jersey's accounts for the years ended 31st December 2003 and 2004 for an annual fee of £155,000 plus expenses (which will not exceed £7,500). This fee increase is in line with inflation.

The Strategic Review of Audit Arrangements within the States of Jersey, undertaken in 1999 by Mr. Noel Hepworth, Chairman of the Institute of Public Finance, recommended fundamental changes to the way in which audit will be provided in the future and in particular that the external audit responsibility, currently conferred to the States Auditor, be assigned to a new Auditor General. This aforementioned review also recommended the establishment of a Public Accounts Committee. The States are invited to refer to their Act dated 28th September 2001 in which they agreed that there should be established a small number of scrutiny committees comprised of members of the States not involved in the Executive, and a Public Accounts Committee comprised of the chairmen of the scrutiny committees together with at least one other member of the States not involved in the Executive; and to their Act dated 26th March 2002 in which they agreed that the Privileges and Procedures Committee should bring forward for approval by the States the terms of reference, conditions and facilities for scrutiny committees and the Public Accounts Committee. The earliest that funding would be available for the appointment of an Auditor General through the revenue resource allocation process is 2005. The Finance and Economics Committee recommends that until the way forward is clearer, the States should approve a two-year extension to PricewaterhouseCoopers' current contract as States Auditor.

A further point to note in relation to the above is that the States, on 22nd July 2003, will debate P.79/2003 from the Privileges and Procedures Committee regarding the establishment of Scrutiny Panels and a Public Accounts Committee. Given that the latter is inextricably linked to the appointment of a Comptroller and Auditor General, to whom responsibilities for external audit would transfer, it would appear responsible to await the outcome of this debate before seeking a States decision regarding an extension to the current States' Auditors contract. Earlier or later establishment of a Public Accounts Committee and appointment of a Comptroller and Auditor General would affect the length of the extension sought. Hence this projet has been prepared on the basis of the most likely scenario and in order that the matter can be lodged au Greffe to enable States Members to give the matter due consideration.

The proposed contract will cease on 30th April 2005 upon completion of PricewaterhouseCoopers audit of the States of Jersey's 2004 accounts.