

## **2.11 The Deputy of St. Mary of the Chairman of the Corporate Services Scrutiny Panel regarding the Comptroller and Auditor General's report "States' Expenditure Forecasts" of February 2010:**

Could the Chairman inform Members of the discussions and considerations which led to asking the Comptroller and Auditor General 3 questions about spending forecasts, possible future deficits and the rate of G.S.T. (Goods and Services Tax) which would be required to eliminate such deficits, the answers to which questions formed his report, States Expenditure Forecasts, of February 2010?

### **Senator S.C. Ferguson (Chairman of the Corporate Services Scrutiny Panel):**

In the 2 previous reports in April 2009 and in December 2009 at the committee's request the Comptroller and Auditor General provided information that had permitted the interpretation of trends in the States' past performance in budgeting effectively, keeping within agreed budgets and thus controlling expenditure totals. This was evidence for a scrutiny review on the forecasting of expenditure by the States. The questions answered in the latest paper were a natural follow-on since they related to an assessment of what the total amounts of expenditure would be if recent trends, as shown in those reports, were to persist. The use of G.S.T. as a benchmark followed a precedent of the Public Accounts Committee in previous years by which spending in excess of budget was assessed in terms of its effect on the total income produced for the States from income tax. This was before the onset of G.S.T. It was intended as a way of indicating the scale of any increases in expenditure.

### **2.11.1 The Deputy of St. Martin:**

Is the Chairman aware that what she was asking the Comptroller and Auditor General to do is outside his role as set out in Article 46 of the Public Finance Law 2005 and does she not also agree that it was unfortunate that that report led to a headline in the *J.E.P. (Jersey Evening Post)*: "12 per cent rise in G.S.T." which was part of a sustained campaign to influence the way people think in the electorate to divert public opinion in a certain direction and does she think it is appropriate for the C. and A.G.'s (Comptroller and Auditor General) role to be politicised in this way?

### **Senator S.C. Ferguson:**

I cannot speak for the C. and A.G., but I know he is absolutely scrupulous in staying within his role. I think the Deputy is to a certain degree missing the point. There is a general concern over the level of States spending and the fact that actual outturns are always substantially in excess of forecasts and this has been going on for a considerable number of years. This has been a constant theme by the C. and A.G. commencing in April 2007. I am not labouring the point, but it is established practice. I have here, for example, a graph which indicates quite clearly that employees - employed persons - in 2006 could have paid 14 per cent less in tax if the States had kept to their budget. This is why the Minister for Treasury and Resources is planning to impose a 3-year fixed budget to control the expenditure of the States and allow better planning. As far as the report goes it demonstrates the implications of the record if nothing else is done. It is a perfectly reasonable report and I think perhaps the Deputy should remember that this is part of the evidence that has been given to a scrutiny panel and, therefore, it should be considered as part of our work in progress.

### **2.11.2 Deputy G.P. Southern:**

Perhaps the Chairman is missing the point. Is she aware that under the Public Finances Law 2005 governing the activities of the Comptroller and Auditor General,

the Comptroller and Auditor General may not be directed on how any function of his is to be carried out? Did she consider that she had directed the C. and A.G. to do a piece of work in a certain way?

**Senator S.C. Ferguson:**

No, I do not think so. We asked the questions. This practice of putting things into simple terms that perhaps even the Members of the House can understand I think is absolutely excellent.

**2.11.3 Deputy G.P. Southern:**

The question is does she believe that she directed in some way the activities of the C. and A.G.?

**The Deputy Bailiff:**

She has answered that. The Chairman has already said she did not.

**Senator S.C. Ferguson:**

With respect, I do not think anybody directs the actions of the C. and A.G. He is scrupulously independent.

**The Deputy Bailiff:**

Final supplementary, Deputy.

**2.11.4 The Deputy of St. Martin:**

It is important that we all have some confidence in the C. and A.G.'s impartiality. So, does the Chairman agree that it is an extremely serious matter that that independence is now seen to be compromised, that this is extremely regrettable, and will she undertake not to use the C. and A.G. in this way in the future?

**Senator S.C. Ferguson:**

The C. and A.G. and I and a lot of other people, and particularly the public, have been concerned about the level of States expenditure. The one job that the C. and A.G. started with in 2005 when I became Chairman of the Public Accounts Committee was to look at the state of financial management in the States and the record on expenditure. We are doing a review on forecasting of expenditure. It is currently on one side because of the Comprehensive Spending Review and the Fiscal Strategy Review, but we will be completing it just as we will be looking at the procedures of the C.S.R. (Comprehensive Spending Review) and the F.S.R. (Fiscal Strategy Review). I cannot undertake to say that I will not ask questions of the Auditor General. He will obviously decline to answer or will answer, but I can assure the Deputy that there is no way I can in any way direct what he is thinking or how he reacts. I would perhaps point out that a set of figures produced by the C. and A.G. is rather more reliable than, say, if I and my panel had produced them ourselves. I will obviously undertake, as I say, not to ask him questions in the future if I think that it might prejudice his independence, but I really think that the Deputy perhaps does not understand the way that the C. and A.G. works.

**The Deputy Bailiff:**

I would just like to remind all Members, those who are asking questions and those who are answering them, that Members are required to make questions and answers concise. We have 30 minutes left for 11 questions. Perhaps Members would like to

take that into account in deciding what further questions they want to ask. We come to question 13. The Connétable of St. Mary will ask a question of the Minister for Economic Development.