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6 Deputy M.R. Higgins of St. Helier of the Minister for Treasury and Resources regarding the Minister's responsibility for addressing any weaknesses in relation to accounting officers identified in 'Jersey Innovation Fund' (R.3/2017): [1(53)]

In light of the report presented by the Comptroller and Auditor General, R.3/2017, in relation to the Jersey Innovation Fund, what responsibility, if any, does the Minister hold for addressing any of the weaknesses in relation to the roles of accounting officers identified in the report, and if none, why not?

Senator A.J.H. Maclean (The Minister for Treasury and Resources):

I am not sure if the Deputy meant to phrase his question exactly in this way but, as far as I am aware, the Comptroller and Auditor General's report makes no criticisms of the roles of accounting officers. An accounting officer for the fund was appointed from its inception, and the functions of the accounting officers are clearly laid out in the Finance Law. The report does contain criticism of how the fund was operated in practice. These criticisms are more about performance than they are about role.

3.6.1 Deputy M.R. Higgins:

The Minister is quite correct; it is not phrased exactly as I put it. It has been modified. What I would ask the Minister is, as the Minister for Treasury and Resources and responsible for and having officers on the Innovation Fund, what responsibility he takes? Since he became the Minister for Treasury and Resources, he must have reviewed the operation of the Innovation Fund, and could he explain, for example, why he made no changes to the working of it when he first reviewed it, which has been heavily criticised by the Comptroller and Auditor General?

Senator A.J.H. Maclean:

I should point out in the early stages, in fact it was my predecessor who put in place in July 2014, and quite rightly so, Financial Direction 1.2, which sought to mitigate risk and improve controls with regard to the operational terms of reference of the Innovation Fund, and that was a point, I noted, that was picked up by the Comptroller and Auditor General and does demonstrate a welcome improvement in those areas. Since that point there have been various statements that have been made. There is an annual governance statement which is made by the accounting officer of the fund, the person responsible for the oversight and management of the fund, and that is reviewed on an annual basis, as the Deputy will know. On top of that, Internal Audit was asked to have a look at the operation of the fund in 2015. That was as a result of part of its programme put in place, or agreed, by the Treasurer and, I might point out, by the chief executive of Economic Development at that time. There were a number of checks and balances put in place to look at the administration of the fund which later resulted in external accountants being brought in, BDO, to look at the post-loan performance and so on. The fund was being managed and it was made absolutely clear when problems began to emerge that no further loans would be made without the precise and exact acceptance and agreement of the Treasurer and the Chief Executive of the States, which is why no new loans were made on this fund in 2016.

3.6.2 Deputy G.P. Southern:

Does the Minister for Treasury and Resources accept the statement made by the Assistant Minister to the Chief Minister that: "The Chief Minister has delegated responsibility for Innovation to me and I am therefore responsible and accountable to this Assembly for the fund, including all ministerial

decisions, past, future and present, that are associated with it.” Does he accept that statement and does he feel that that is where responsibility lies?

Senator A.J.H. Maclean:

I have no reason not to accept a statement made by the Assistant Chief Minister. I think the Deputy was quoting directly from the statement made to this Assembly. With regard to responsibilities, the Chief Minister has made it absolutely clear that there is going to be an investigation into the roles and responsibilities of all Ministers involved in the Innovation Fund. The outcome of that review will be published and I think that is the appropriate moment to answer the second part of the Deputy’s question.

3.6.3 Deputy A.D. Lewis:

The Minister for Treasury and Resources will be well aware that one of his officers was appointed to sit on the Innovation Board. Can he comment, though, as to why that officer had voting rights when he was supposed to be maintaining independent oversight for the Treasury? Does he think that was appropriate, and also was that officer ensuring that various elements of Financial Direction 1.2 here, which is a whole document on the Innovation Fund, were being followed and is the Minister content that they were?

Senator A.J.H. Maclean:

I do not wish to go into too much detail around the particulars specific to the question that the Deputy is asking, for the reasons that, as well as a review or investigation into the roles of politicians, the Chief Minister has also stated that the chief executive of the States of Jersey has also commenced an investigation into the roles of officers in relation to the Innovation Fund and, as a result of that, I think it would be unwise for me to make detailed comments about the roles of specific individuals at this stage.

3.6.4 Deputy A.D. Lewis:

The matter was a matter of policy. Does the Minister accept that it is inappropriate when you have independent oversight sitting on that board, that that person has a vote on that board? Does the Minister think that is appropriate? If he did not think so, then why was that allowed to continue?

Senator A.J.H. Maclean:

I believe that it is a difficult point with regard to having voting rights. The Deputy is quite correct; the individual was there to provide and to fulfil a specific function and that function, one could argue, would compromise that particular role. However, it was not picked up and it was not acted upon. I cannot add anything further than that.

3.6.5 Senator S.C. Ferguson:

Given that the problems highlighted by the Auditor General’s report are similar to those highlighted in the Public Accounts Committee reports on the Battle of Flowers grant in 2007, and the Can Be Done grant in 2012, and after each of these the Assembly was assured that lessons had been learned, what does the Minister intend to do to make sure that the lessons learned are being applied, particularly, for instance, with regard to Digital Jersey?

Senator A.J.H. Maclean:

As other Ministers have said, there is a degree of significant dissatisfaction with the fact that the performance of this fund, in particular with regard to its oversight and management, have fallen short of standards that one would expect. We have checks and balances in place to ensure that

funds, and in particular public money, are managed appropriately. In this case, it appears that there have been some failings in that regard and that is completely and utterly unacceptable, as I have stated, and others, in the past. There have been and were improvements put in place with regard to the Innovation Fund compared to others, so lessons, in some respects, have been learned. Then again, the oversight and management and implementation, which is key, is really critical to ensuring the performance and the safety of public money in this way, I think it is in that area that we need to focus our attention in particular.

[11:30]

3.6.6 The Deputy of St. John:

This is the second time that a report has identified that there has not been compliance with Financial Directions. What confidence does the Minister have in the way that Financial Directions work or do not work in the States, and what confidence can we therefore have and we can have assurance that this will not happen again, or it will not be as bad?

Senator A.J.H. Maclean:

As I mentioned earlier, a new Financial Direction was put in place specifically for this fund, Financial Direction 1.2, which was welcomed by the Comptroller and Auditor General's report. Again, it comes back to my point about implementation, management and oversight. It is all very well, as the Deputy was effectively alluding to, that we have Financial Directions and other requirements in place for the proper and effective management of public funds; if these fall short, then it is ultimately ... and that is why we have the role of accounting officer and the responsibilities and liabilities associated with that function of accounting officer, that is exactly why that is in place, to make sure that all functions are undertaken in an appropriate way. If that does not happen, then of course under our system it is appropriate that the accounting officer, and others, are held to account and the person to do that of course would be the chief executive of the States and that shortfall would be ultimately responsible through the Chief Minister to this Assembly.

3.6.7 Deputy M.R. Higgins:

Coming back to my second question, does the Minister for Treasury and Resources take any responsibility for any of the failings in the Innovation Fund, and did he review the fund when he became Treasurer? If he did, what did he do? You mentioned that different Directions were brought in; was it the Minister himself who brought them in, or were they brought in by others?

Senator A.J.H. Maclean:

I, and, I think, many others take responsibility for the Innovation Fund, all the way from the approval from this Assembly to set it up and the Ministers ultimately who are responsible to this Assembly for the performance of the departments for which they have responsibility. With regard to reviewing the Innovation Fund, it is not the role of the Minister for Treasury and Resources to review the fund as such. There are other mechanisms in place, checks and balances which are most appropriate in order to make sure that the fund, or any fund, for that matter, is being managed ... is implemented, first of all, in line with the guidelines put down by the States Assembly when it is approved, and Ministers with regard to their policy contained within it. I can only say to the Deputy that, as far as I am concerned, we have to make absolutely certain in the future that those responsible for such funds fulfil their obligations as we would expect.