

**THE COMPTROLLER & AUDITOR GENERAL'S
ANNUAL REPORT**

FOR THE YEAR ENDED 30 JUNE 2009

JANUARY 2010

*Comptroller & Auditor General
Annual Report
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Introduction

1. This is the third annual report which I have published as Comptroller & Auditor General and covers the year ended 30 June 2009.
2. In this Report, I will review:
 - (1) how I have sought to accomplish the purposes set out by the Public Finances Law 2005;
 - (2) the reports published during the period covered by this Report;
 - (3) the way in which the work done has followed the framework set out in my Consultative Document published in 2006;
 - (4) the relationship with the States' Public Accounts Committee; and
 - (5) the work currently in hand and soon to be published.

Public Finances Law 2005

3. The duties of the C&AG are set out in the Public Finances Law 2005 in the following way:

“46 (1) It is the duty of the Comptroller and Auditor General to provide the States with independent assurance that the public finances of Jersey are being regulated, controlled and supervised and accounted for in accordance with this Law and that the provisions of this Law are otherwise being duly complied with.

(2) That duty shall be taken to include, in particular, assuring the States –

(a) that money withdrawn from the consolidated fund, the strategic reserve fund or the currency fund was used for the purpose for which it was authorized to be withdrawn; and

(b) that all income due to the States has been collected or otherwise duly accounted for.

(3) It shall also be taken to require the Comptroller and Auditor General to consider and report to the States on –

(a) the effectiveness of the internal financial controls of States funded bodies and the internal auditing of those controls; and

(b) the economy, efficiency and effectiveness in the way they use their resources of States funded bodies, independently audited States bodies (other than those that are companies owned or controlled by the States), and States aided independent bodies; and

(c) the general corporate governance arrangements of the States and of States funded bodies, independently audited States bodies and States aided independent bodies,

and, in each case, to make recommendations to bring about improvement where improvement is needed.

47 (1) When the annual financial statement on the accounts of the States for a financial year is sent to the Comptroller & Auditor General by the Treasurer in accordance with Article 32(1)(b) the Comptroller & Auditor General must ensure:

(a) that the audit of it is completed;

(b) that a certificate from the person carrying out the audit is attached to the statement; and

*Comptroller & Auditor General
Annual Report
For the year ended 30 June 2009*

(c) that the statement with the attached certificate and any note mentioned in paragraph (3) are forwarded to the Minister.”

4. I discharge these duties in the following way:

- (1) Annual financial statement: in 2006 I appointed PricewaterhouseCoopers (PWC) to undertake the audit of the annual financial statements of the States of Jersey and of the Social Security Funds. As a part of the annual audit PWC also establish for the purposes of the audit and report to me that the public finances are regulated in accordance with the requirements of the law and that money withdrawn is used for the purpose for which it was authorised to be withdrawn (see the requirements of Articles 46(1), 46(2), and 47(1) above).
- (2) Internal controls: the audit carried out by PWC also involves work to establish, within appropriate materiality constraints, the effectiveness of the States' internal controls which are of course described in the Statement on Internal Control published with the Annual Financial Statements of the States of Jersey (see the requirements of Article 46(3)(a) above).
- (3) Internal audit: in 2006 I commissioned a review of the internal audit arrangements in place within the States which led to a number of changes in the organisation of internal audit.
- (4) Economy, efficiency and effectiveness: during the period covered by this Report, I have undertaken a number of exercises which have tested these aspects of the States' activities.
- (5) Corporate Governance: I have undertaken a number of reviews of governance within the States.

*Comptroller & Auditor General
Annual Report
For the year ended 30 June 2009*

5. During the year ended 30 June 2009, eleven documents were published covering a wide range of subjects from narrow subjects such as the membership of the Committee of management of the States' principal employees' pension scheme, to subjects with general significance such as financial management within the States.
6. A complete list of the reports published during the period covered by this Report (and subsequently) is set out in Appendix One. Copies of all of these reports are available by way of my own website and that of the States Greffe.

Programme Consultation Document 2008

7. The proposals that I published in 2008 envisaged that a number of activities would be undertaken:

- (1) the audit of the annual financial statements of the States: the audit has been undertaken on my behalf by PWC as described above.
- (2) a review of the state of financial management within the States: a report was published in June 2009: proposals for regular reviews of the state of financial management were published in November 2008.
- (3) a review of performance reports published by the States and of ways in which assurance can be provided as to their reliability: to be undertaken in the second half of 2010 following the publication of the States' performance report for 2009.
- (4) the audit of the financial statements of other funds for whose audit the C&AG is responsible: two reports were published during 2009 on the audits of special funds which also explain the agreed arrangements for future audits.
- (5) reviews of any major asset disposals by the States: currently being undertaken in respect of disposals during 2009.
- (6) publication of comparisons between the costs of the Island's public services and those of similar mainland services: a consultation document will be published in the summer of 2010.
- (7) a review of benefit fraud management arrangements: to be undertaken in the second half of 2010.
- (8) a follow-up assessment of the States' response to the challenges set out in the conclusions of the Spending Review: currently being undertaken by the Public Accounts Committee.

*Comptroller & Auditor General
Annual Report
For the year ended 30 June 2009*

- (9) a review of performance management practice within the States: to be undertaken in the second half of 2010.

Public Accounts Committee

8. Under the Public Finances Law, I am personally responsible for the programme of work that I undertake which I prepare in the light of my own assessment of priorities for my attention and responses to the Consultation Documents that I publish from time to time. The Public Accounts Committee, scrutinise my reports and take what ever action is deemed appropriate in response to those reports.
9. In addition, during the past three years I have briefed the Committee on issues as they arise and in particular provide commentaries for the Committee on the Annual Financial Statements of the States of Jersey and the Social Security Funds. Apart from the overall commentary on the accounts, I have also provided detailed briefs members of the Committee in preparation for the Committee's hearings to consider the annual accounts and other matters. The briefing documents are private to the Committee.
10. Naturally, the Committee's reports are the responsibility of the Committee alone.

Current work

11. The work currently in hand consists of:

- (1) a review of the States' recording and management of sickness absence levels;
- (2) a review of sales of assets by the States during the year ended 31 December 2009 including sales of properties and housing stock;
- (3) a review of the management of grants made by the Department of Economic Development and of the grant paid to the Jersey international Air Display in particular;
- (4) a review of the operation of the Public Finances Law 2005;
- (5) a review of the cost to the States of pharmacy services;
- (6) planning for a review of environmental protection and regulation;
- (7) planning for a regular assessment of financial management within the States.

APPENDIX ONE ≈ REPORTS PUBLISHED

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| November 2008 | States Owned Companies: accountability |
| November 2008 | Waterfront Enterprise Board: review of corporate governance |
| November 2008 | Annual Report |
| November 2008 | Consultation Document on future programme |
| January 2009 | Energy from Waste Plant: terms of reference for review |
| March 2009 | Energy from Waste Plant: management of foreign currency exchange risks |
| April 2009 | States' expenditure forecasts |
| April 2009 | Department of Health and Social Services: structure and organisation |
| May 2009 | Environmental protection and regulation: terms of reference for a review |
| June 2009 | Lord Portsea Gift Fund and other special funds |
| June 2009 | Financial management in the States |

Subsequently

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|----------------|---|
| September 2009 | Report on data security within the States of Jersey |
| September 2009 | Public Employees Contributory Retirement Scheme: composition of the Committee of Management |
| November 2009 | Jersey Heritage Trust: financial review |
| December 2009 | States' expenditure forecasts |
| December 2009 | Special funds: accounts for the year ended 31 December 2008 of the largest funds |