



**Comptroller and Auditor General**

**Annual Letter and Annual Report**

**24 September 2015**

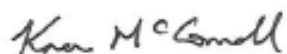


JERSEY AUDIT OFFICE

**R.106/2015**

## Introduction

- 1.1 I am pleased to present my second Annual Letter and Report to the States Assembly:
- the Annual Letter summarises the work undertaken in the course of the year, highlighting the key issues emerging; and
  - the Annual Report discharges my responsibility under Article 19 of the Comptroller and Auditor General (Jersey) Law 2014 to prepare an Annual Report about the activities of my office. Although the term is not used in legislation, I have described the staff and contractors that assist me in the discharge of my statutory functions as 'the Jersey Audit Office' (JAO).
- 1.2 My Annual Letter provides an overview of the findings of my work over the last twelve months – a period in which the States has become aware of a significant budget gap leading to proposals for significant reductions in expenditure. My work has identified some recurrent themes:
- weaknesses in development and use of management information (MI);
  - weaknesses in governance and accountability; and
  - limited corporate learning.
- 1.3 Although my work may help to facilitate change in the specific areas reviewed, perhaps its most important role is to facilitate corporate change and in turn improvements in value for money.
- 1.4 My Annual Report is a key means by which I demonstrate my accountability for the public funds entrusted to me. The last year has seen the implementation, through legislation, of many of the improvements in arrangements for public audit that I recommended. It has also seen the embedding of many of the internal arrangements of the JAO that I detailed in my previous Annual Report.



**Karen McConnell**  
**Comptroller and Auditor General**

24 September 2015

## Annual Letter

- 2.1 This Letter draws together the various strands of published audit work across the areas where either I or auditors appointed by me have responsibilities (see Exhibit 1).

### Exhibit 1: The scope of audit work



- 2.2 Although I have summarised the findings of work under these five headings, inevitably there is an overlap between them.

### Accounts

- 2.3 Each year the States prepare and publish annual accounts that record on a consistent basis what the States own and what they owe, what they earned and what they spent. Those annual accounts are an important means by which the States account for the use of public funds raised by compulsory taxation and are an important tool for long term financial management. The accounts are subject to audit by an audit firm (currently PricewaterhouseCoopers LLP) that I appoint.
- 2.4 The auditors appointed by me gave unqualified opinions on the States' accounts for 2014 and I certified completion of the audit.
- 2.5 The accounts are technically complex based on internationally adopted accounting standards. But this does not mean that efforts should not be made to enhance how the accounts communicate effectively the financial performance of the States. In this context I note two developments in the year:

- the accounts give more prominence to reporting financial performance against the Medium Term Financial Plan (MTFP) and the annual budget. The accounts therefore better serve the needs of the States Assembly in holding the executive branch of government to account for the resources allocated to it; and
- changing the accounting policies adopted to include the assets, liabilities, income and expenditure of Andium Homes within the States' accounts. This better reflects the nature of the relationship between the States and Andium Homes. The Treasurer of the States is continuing to review the policy adopted for accounting for other strategic investments. I support that process and encourage a move to full and consistent application of the approach to consolidation contained in International Financial Reporting Standards (IFRS).

### **Internal financial control**

2.6 Internal financial control refers to the whole system of controls that provides reasonable assurance that:

- assets are safeguarded;
- transactions are authorised and properly recorded; and
- material errors are either prevented or detected.

2.7 My work this year focused on information security. Information is at the heart of the operation of any organisation – including the States of Jersey. But the information has to be held securely because:

- it is important for the effective management of the States;
- much of it is sensitive, such as personal information;
- some of it is commercially confidential;
- some of it is legally privileged;
- the States have a legal obligation to disclose some information; and
- the States have a legal duty not to disclose other information.

2.8 The growing use of the internet has given rise to increased and new threats to information security, including:

- serious organised crime using the internet to steal personal or financial data to commit fraud, steal corporate intellectual property, or launder money;

- political activists hacking and using the internet to steal information or damage computer systems to serve political agendas; and
- state supported espionage and attacks on critical government infrastructure.

2.9 I found that the approach to information security within the States of Jersey is not fully formed and in areas falls short of recognised international standards. In particular:

- departments see information security as primarily a technical issue: one department did not see it as a concern for it at all. Even those departments that recognise they have a responsibility for information are approaching it principally from a Freedom of Information approach as opposed to a robust information security approach;
- the States' information security policies are IT-centric and do not cover the full range of information security-related activities. Coupled with a lack of specific awareness training, the policies have reinforced the view that information security is the responsibility of the Information Services Department (ISD); and
- there is very little documented understanding of information security threats, vulnerabilities and mitigating actions. Even where departments are dealing with third parties and possibly exchanging large amounts of potentially sensitive information, little consideration of information security threats is evident.

2.10 The States of Jersey are embarking on an ambitious reform programme, re-engineering the way services are delivered, and an ambitious e-government programme. Changes to ways of working, changes to information systems, outsourcing and increased use of the internet all increase the risks of information security breaches. Against this background the States need to be confident that:

- a new, inclusive and corporate approach to information security is adopted so that information security is embedded in ways of working throughout the States; and
- sufficient appropriate skills and resources are in place to manage the threats and vulnerabilities faced.

2.11 I have received a detailed response to my report and recommendations and plan to follow up progress on implementation of my recommendations in 2016.

## **Value for money**

2.12 'Value for money' means maximising the '3Es':

- economy (minimising the cost of inputs);
- efficiency (maximising the outputs secured from the inputs); and
- effectiveness (maximising the alignment between the outputs and the outcomes desired).

2.13 My responsibilities extend beyond States Departments to other entities established or controlled by the States. In the past year my work focused on:

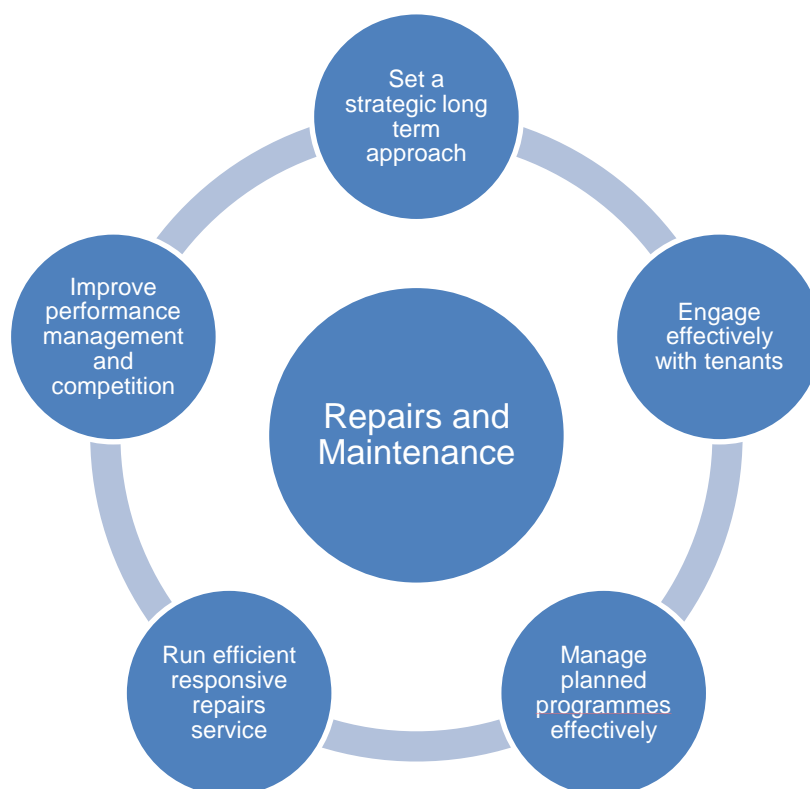
- the management of housing repairs and maintenance with a total value of £8.7m per annum by Andium Homes (previously the States' Housing Department); and
- the management of private patient activity with a total income of £6.8m by the Health and Social Services Department (HSSD).

## ***Housing Repairs and Maintenance***

2.14 Andium Homes manages 4,500 units of social housing. To deliver an effective repairs and maintenance service, a social housing landlord needs to:

- set a strategic long term approach;
- engage effectively with tenants;
- manage planned programmes effectively;
- run an efficient responsive repairs service; and
- improve performance management and competition (see Exhibit 2).

## Exhibit 2: Delivering an effective housing repairs and maintenance service



2.15 I identified strengths in aspects of the approach to housing repairs and maintenance:

- **A strong focus on planned maintenance.** Planned maintenance is more cost efficient than responsive repairs. The incidence of planned maintenance is above the benchmark for social landlords, reflecting a substantial programme, informed by a good quality stock-condition survey, that has reduced identified 'backlog maintenance'.
- **A commitment to competitive tendering.** This serves to promote value for money.
- **Cost effective monitoring of responsive repairs.** Effective monitoring of the quality of large volumes of low value work is challenging. Andium Homes combines some inspections of responsive works with tenant surveys.

2.16 However, I also identified areas for action:

- **Developing the market for housing repairs and maintenance** through an active strategy for market engagement and development and different models of contracting for responsive repairs;

- **Enhancing management information.** Such information is important as it facilitates effective monitoring of the service provided and the performance of contractors. In turn, this helps Andium Homes to demonstrate systematic monitoring and place any specific concerns about performance in context; and
  - **Enhancing tenant engagement,** both in setting standards for housing repairs and maintenance and feeding back on performance (including action taken in response to any feedback received).
- 2.17 Andium Homes responded positively to my report, including in evidence to a hearing of the Public Accounts Committee. I plan to follow up progress in implementation of my recommendations in 2016 or 2017.

### ***Private Patient Income***

- 2.18 Private patient income is an integral part of the business model for the General Hospital, with income representing 5.75% of General Hospital expenditure. Clear policy objectives, appropriate procedures and monitoring of compliance with those procedures can ensure that private patient activity does not detract from public provision.
- 2.19 My review focused on:
- the clarity and consistency of policies and procedures for private patient activity and income;
  - the adequacy of arrangements to establish charges for private patient activity;
  - the adequacy of arrangements to identify private patient activity and bill patients or insurers;
  - the adequacy of arrangements to recover private patient income promptly;
  - the adequacy of arrangements for establishing the budget for private patient income and monitoring performance against budget;
  - to extent to which private patient income is appropriately reflected in longer term planning; and
  - the adequacy of arrangements for monitoring compliance with operational policies and procedures, including the contractual conditions of consultants for undertaking private patient work.
- 2.20 I found good practice in setting and managing the private patient budget and robust arrangements for securing recovery of private patient income.



2.21 But I found that arrangements did not secure effective management of private patient activity and income:

- policy on the objectives, scope and charging for private patient income was not clearly articulated;
- there were weaknesses in the development of the private patient tariff;
- the procedures for identifying all private patient activity accurately were time-consuming and potentially ineffective, leading to potential loss of income;
- financial monitoring of private patient activity was not fully developed;
- longer term planning of private patient activity, integrated with other planning, had not been completed;
- there were weaknesses in the overall governance of private patient activity; and
- monitoring of the volume of private patient work undertaken by consultants was informal.

2.22 I identified that steps have been taken or were in train in key areas: improving the arrangements for preparing the private patient tariff, making key appointments to develop the private patient function and restructuring the Private Patient Committee.

2.23 But I concluded that more needs to be done to secure effective governance and management of private patient activity. In particular, the weaknesses in policies and procedures to secure and use high quality information echo those in my earlier report on Management Information in Operating Theatres. I plan to follow up progress in implementation of my recommendations in 2016 or 2017.

### **Corporate governance**

2.24 Corporate governance refers to the arrangements a body puts in place for the proper conduct of its affairs. It is the framework that supports **how** things are done and importantly should reflect the principles of openness, integrity and accountability.

2.25 The focus of my work in this area this year has been on key aspects of financial management of the States, against a background of a projected budget gap where good financial management will facilitate necessary retrenchment in a planned way, facilitating reform and minimising the risk associated with change.

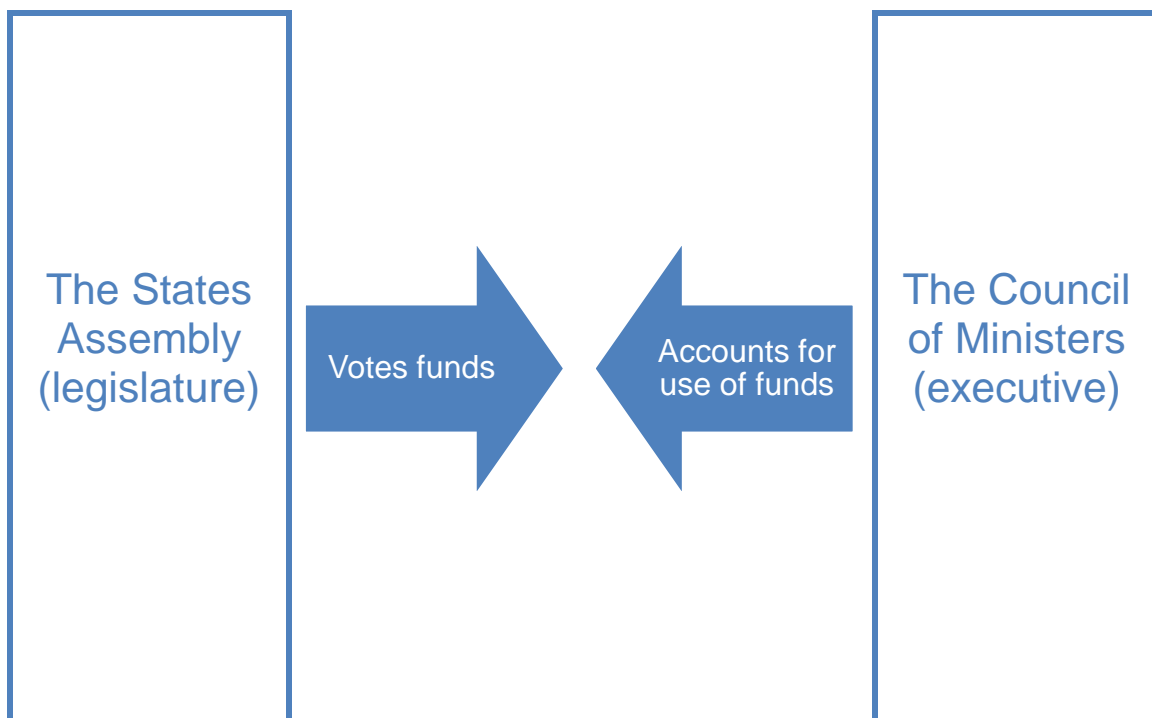
2.26 For a self-governing jurisdiction effective financial management requires:

- an appropriate framework for the allocation of resources by the legislature and accountability of the executive to the legislature for the use of those resources; and
- effective systems for the planning, direction, monitoring and control of the States' finances by the executive. In this review I focused in particular on:
  - financial governance and leadership; and
  - financial planning, including the processes for preparation of the MTFP and the annual budget.

***Resource allocation and accountability***

2.27 My review identified clear legislative accountabilities by the Council of Ministers to the States Assembly (see Exhibit 3).

**Exhibit 3: Relationship between the States Assembly and Council of Ministers**



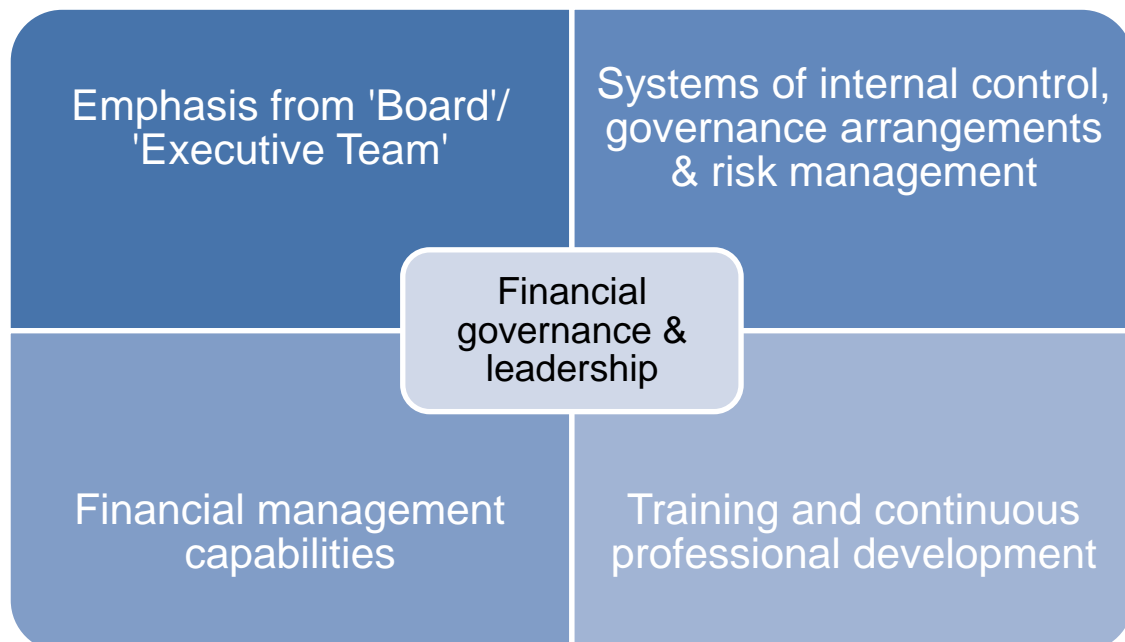
2.28 But I identified two areas where there were weaknesses in accountability:

- the exclusion from the MTFP of the projected performance of the Social Security fund and the States' strategic investments that together account for over a quarter of the income and expenditure of the States. As a result the MTFP does not paint a complete picture; and
- the exclusion from the measure of expenditure used in the MTFP approved by the States Assembly of 'depreciation' (the consumption over time of the economic benefits of a capital asset) or 'impairment' (an unanticipated reduction in the value of property, plant or equipment). Whilst neither results in an immediate outflow of cash they are both in a very real sense expenditure. And the exclusion of such elements of expenditure from budgets means that there is less emphasis on the effective management and utilisation of capital assets. I welcome the inclusion of an allowance for depreciation in the draft MTFP recently presented to the States Assembly.

***Financial governance and leadership***

2.29 My work focused on four related elements of governance and leadership (see Exhibit 4).

**Exhibit 4: Elements of financial governance and leadership**



2.30 I identified strengths in arrangements, including:

- significant emphasis by the Corporate Management Board on finance during a period of enforced budget constraints;
- an 'Accounting Officer' model, based on UK central government, placing personal accountability for financial management on chief officers;
- a significant number of qualified accountants across the States, providing the capacity to manage finances effectively;
- a programme of financial management training for non-financial managers.

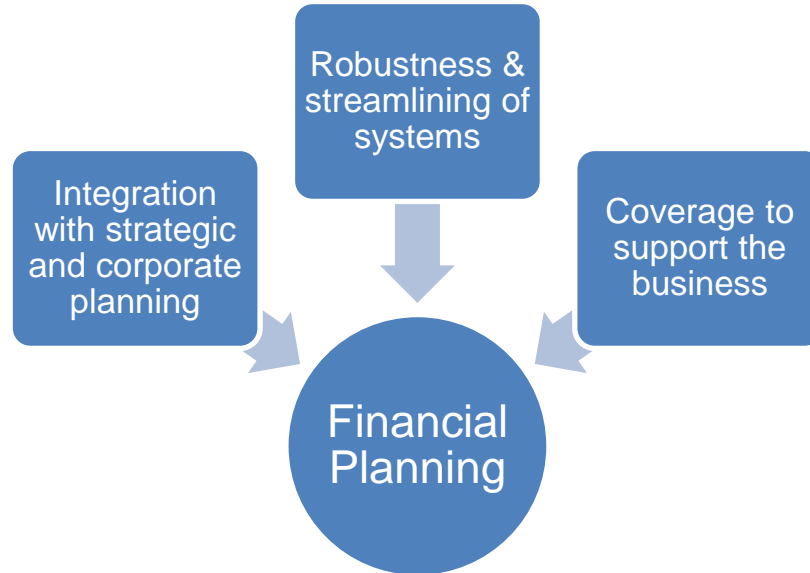
2.31 However, I found that the arrangements for financial management do not facilitate the reform agenda and that a major cultural shift was required to reinforce collective as opposed to departmental responsibility. In particular I recommended:

- reinforcing collective ongoing responsibility for financial management by the Council of Ministers and Corporate Management Board outside the window for preparation of the MTFP;
- revising the Accounting Officer accountability to reflect the circumstances of bodies which cannot be accountable to the executive arm of government for their expenditure (as they are part of the legislative or judicial arms of government) or have been established at arms length to preserve their independence;
- developing a plan for enhancing the contribution of financial professionals across the organisation, focussing on strategic level input and support for non-financial managers, including moving line management of all finance staff to Treasury and Resources;
- prioritising embedding a performance management culture across the States, including objective setting and performance appraisal, as a key component of the reform agenda; and
- refreshing the finance training offered to both finance and non-finance staff, targeting it appropriately.

## ***Financial planning***

2.32 My review of financial planning focused on three areas (see Exhibit 5).

### **Exhibit 5: Elements of financial planning**



2.33 The most effective financial planning:

- is integrated with strategic and corporate planning at all levels, reflecting both plans on what is to be achieved but also plans on how it is to be achieved;
- reflects short, medium and long term planning horizons; and
- produces timely information to allow budgets and forecasts to be updated.

2.34 The States made significant progress: it has moved beyond an annual budget to a MTFP developed in light of and synchronised with the States' Strategic Plan. However, I concluded that the MTFP process was no longer fit for purpose and acted as a barrier to reform:

- it was insufficiently rooted in corporate priorities with some of the linkages loose and artificial;
- it was too inflexible and too much a drawing together of individual departmental plans; and
- it did not adequately reflect the key drivers of change such as changes in information technology, different approaches to office accommodation and new ways of working.

- 2.35 I concluded that the States needed a flexible and dynamic MTFP that facilitates corporate planning for reform and expenditure reduction. Some of my recommendations have been taken on board in preparing the draft MTFP currently before the States Assembly.
- 2.36 Good financial management is central to the delivery of the States' strategic objectives. I plan to review other aspects of financial management over the next year.

### **Implementation of previous audit recommendations**

- 2.37 Effective public audit is about more than holding to account those responsible for the use of public funds. It is also about facilitating and supporting worthwhile change. Maximum value from audit work is secured through implementing recommendations accepted by management and ensuring the intended outcomes are achieved.
- 2.38 This year I focused on reviewing the steps taken to implement the recommendations made in three reports summarised in my 2014 Annual Letter and Report:
- Internal Audit;
  - Procurement; and
  - Use of Management Information in HSSD – Operating Theatres.

### ***Internal Audit***

- 2.39 Internal audit is a key component of internal control, providing management with assurance over the design and operation of controls. In my previous review I identified that significant work was required to comply fully with relevant professional standards and to demonstrate performance of the statutory duties of internal audit. Although I found significant work in hand, many of the necessary arrangements were yet to be embedded.
- 2.40 My follow up work identified significant progress in implementing the recommendations of my previous review (see Exhibit 6).

## Exhibit 6: Internal Audit: Follow up

Progress	Areas for focus
<ul style="list-style-type: none"><li>• Substantial work to deliver 'Quality Improvement Programme'</li><li>• Progress endorsed by independent review</li></ul>	<ul style="list-style-type: none"><li>• Embedding the independence of the Chief Internal Auditor</li><li>• Ensuring that advisory work is only undertaken when all necessary assurance work has been resourced</li><li>• Embedding arrangements for monitoring the quality of internal audit work</li></ul>

### ***Procurement***

2.41 Effective procurement of goods and services is a key means of securing value for money, managing risk and reducing the risk of impropriety. In my previous report I recognised the contribution made by the Corporate Procurement Team but identified scope for improvement. In particular, I identified that:

- Procurement was not seen consistently in a corporate context, exemplified by an out of date procurement strategy;
- There was no structured learning from procurement exercises to drive improvement for the future;
- There were some instances of non-compliance with relevant Financial Directions; and
- There was scope to improve both the identification of the savings anticipated and the monitoring of their attainment.

2.42 My follow up review identified progress in some of the more operational areas but also a number of more strategic issues where corporate action was required to secure implementation (see Exhibit 7).

## Exhibit 7: Procurement: Follow up

Progress	Areas for focus
<ul style="list-style-type: none"><li>• Progress in implementing recommendations</li><li>• Areas where guidance has been improved</li><li>• Initial roll-out of Supply Jersey that will automate procurement processes for 'catalogue' items</li></ul>	<ul style="list-style-type: none"><li>• Updating the Procurement Strategy – procurement operating in a vacuum</li><li>• Updating Financial Direction 5.1</li></ul>

### ***Use of Management Information in HSSD – Operating Theatres***

- 2.43 Good management information about resources and activity is vital to securing good value for money. My previous review of the use of management information in HSSD focused on operating theatres, a complex activity at the heart of the General Hospital and accounting for 10% of its expenditure. But use of operating theatres was merely an example activity within HSSD and many of the findings of my review were of potential relevance elsewhere within the Department.
- 2.44 My review identified scope for improvements in:
- identifying information needs, linking the things that were measured clearly to departmental and divisional objectives;
  - arrangements to secure the quality of data; and
  - utilising management information to drive both short term and long term decision making.
- 2.45 At Divisional level there has been substantial energy to implement the recommendations that I made. However, there remain some recommendations where implementation requires wider ownership within the Department and there is limited evidence of effective learning being shared more widely (see Exhibit 8).



## Exhibit 8: Use of Management Information in HSSD – Operating Theatres: Follow up

Progress	Areas for focus
<ul style="list-style-type: none"><li>• Strong drive on implementation of recommendations within Division involving clinical and non-clinical staff</li><li>• Significant progress in implementing recommendations</li><li>• Where original approach proved not to be feasible, an alternative approach was adopted.</li></ul>	<ul style="list-style-type: none"><li>• Updating business plan</li><li>• Revisiting Key Performance Indicators (KPIs) in light of the updated business plan to ensure they are consistently defined, relevant and comprehensive</li><li>• Identifying and planning for the use of MI to inform longer term decision making</li><li>• Establishing effective mechanisms for sharing learning</li></ul>

### ***Follow up: overall messages***

2.46 My three pieces of follow up work identified different levels of progress. Looking at the three together, I have drawn some general messages:

- corporate ownership of issues is vital to secure effective implementation;
- clear strategies are vital tools for identifying priorities and actions and communicating them consistently;
- implementation is most effective where there are clear well documented accountabilities and timetables for implementation;
- maximum benefit is secured where learning from implementation is shared so that it is not only the activity directly subject to review that benefits; and
- implementation is best where it is reflective, adaptive and outcome focused. In the case of operating theatres, management identified that one proposed action previously agreed would not have the desired effect and implemented an alternative action to address the underlying issue.

## **Annual Report**

3.1 The purpose of this report is to:

- explain the role and objectives of the JAO;
- outline how the JAO operates;
- highlight what the JAO has achieved;
- summarise the financial, human and other resources used by the JAO; and
- outline plans for the future.

### **What are the JAO's aims and objectives?**

3.2 The JAO assists the States Assembly and the wider public in holding to account those accountable for:

- safeguarding public resources;
- accounting for the use of public resources; and
- using public resources economically, efficiently and effectively.

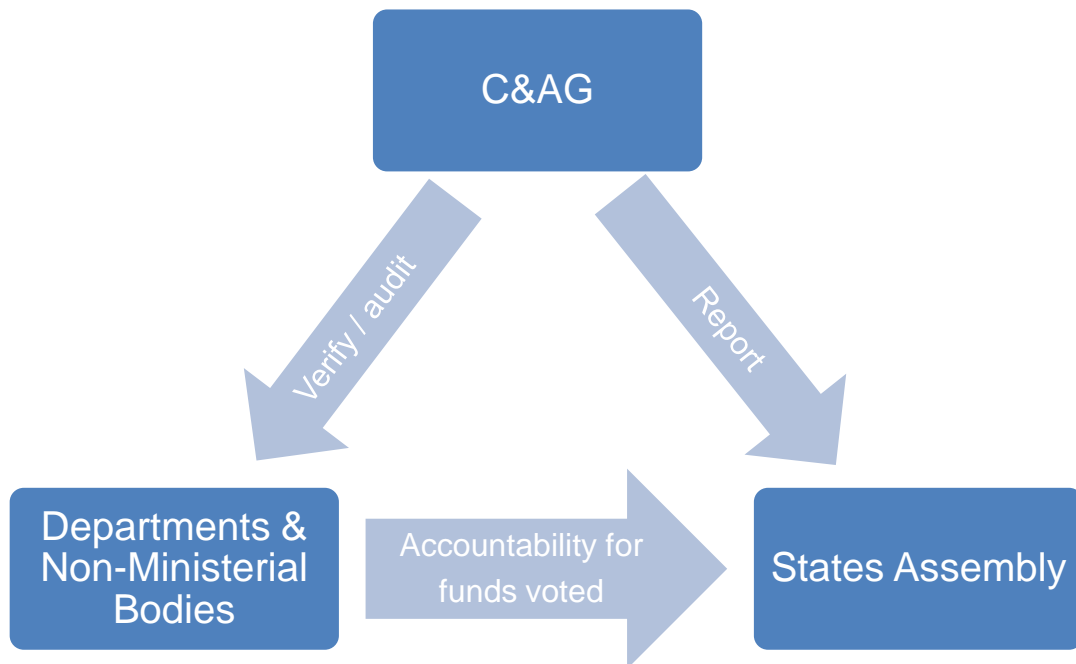
3.3 Its objectives stem from the Comptroller and Auditor General (Jersey) Law 2014 and relate primarily to:

- the appointment of auditors to audit the accounts of the States and certain other entities; and
- reviewing and reporting to the States Assembly on internal control, corporate governance and economy, efficiency and effectiveness of States-funded bodies, independently-audited States bodies and States-aided independent bodies.

3.4 Public audit is an important link in the chain of accountability. It is undertaken on behalf of the public and in the public interest. It strengthens accountability to the States Assembly that authorises resources and outwards to citizens as taxpayers and users of public services.

3.5 Confidence in public audit is dependent on maintaining independence from both the legislature and the executive. The Law prevents any person from directing me in the discharge of my functions: neither the legislature nor the executive can direct me as to the scope of my work, my findings or the content of my reports (see Exhibit 9).

## Exhibit 9: The role of the Comptroller and Auditor General (C&AG)



### How does the JAO operate?

- 3.6 The JAO has established core values by which it operates that are set out in the Comptroller and Auditor General's Code of Audit Practice (see Exhibit 10).

## Exhibit 10: JAO core values

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**Independence.** Auditors should be independent of those they audit and be seen to be. Subject to statutory and professional responsibilities, they should comply with Ethical Standards issued by the United Kingdom Financial Reporting Council. They should not undertake any work that might impair their independence or might reasonably be perceived to do so.

**Audit work recognises both costs and benefits.** In planning audit work auditors should consider the materiality or significance of the sums involved. In making recommendations they should recognise that there are costs of implementing audit recommendations as well as benefits that might arise.

**Audit is undertaken as efficiently as possible.** The C&AG and audit firms appointed by the C&AG will discuss the timetable for their work and the information they require. They will seek to rely on the work of Internal Audit where relevant to their responsibilities.

**Auditors report in public, accessibly, without fear or favour.** As audit is an essential element of public accountability, reporting should be publicly available except where there is a compelling case (such as commercial confidentiality) for it not to be. Audit reporting should be accessible and relevant to stakeholders.

**Auditors adopt a constructive and positive approach.** In discharging their statutory and professional responsibilities, auditors should adopt a constructive and positive approach, supporting and encouraging worthwhile change. In undertaking their work and making recommendations they should recognise the particular circumstances of the Island.

**Confidentiality and data security are balanced with public accountability.** The C&AG and audit firms appointed by the C&AG should comply with statutory and professional requirements relating to the security, holding and disclosure of information received or accessed in the course of their work.

3.7 Demonstrating integrity, objectivity and independence is vital to the success of the JAO. To secure the highest standards of independence:

- the JAO maintains a register of threats to independence. There were no threats identified in the course of the year;
- the JAO maintains a register of gifts and hospitality received, declined and offered. The JAO has strict policies to avoid the offer or acceptance of gifts or hospitality that might give rise to a perceived threat to independence;

- in appointing auditors to the States and other entities where I am responsible for the appointment of auditors, I satisfy myself that there are no threats to independence in respect of which an adequate safeguard cannot be put in place; and
- I must personally approve any request by auditors appointed by me to undertake any non-audit work for the States or entities controlled by the States.

3.8 Legislation requires me to attend meetings of the Public Accounts Committee and liaise with it. Whilst I liaise with the Public Accounts Committee on my planned work programme, in determining what to review and what to report, I remain entirely independent.

### **What has the JAO achieved in the last year?**

3.9 In my previous Annual Report I highlighted the work that I had undertaken to review arrangements for public audit in Jersey to ensure that they complied fully with the principles of the International Organisation of Supreme Audit Institutions (INTOSAI). Those recommendations led to the adoption of the Comptroller and Auditor General (Jersey) Law 2014 that came into force in December 2014. As a result of the new legislation:

- I have a consistent responsibility for reviewing internal control, corporate governance and value for money over a wide range of States funded and controlled bodies;
- I am responsible for the appointment of auditors not only of the accounts of the States but also of the accounts of certain other entities established by the States;
- the Code of Audit Practice detailing how I and the auditors I appoint discharge their responsibilities has been placed on a statutory footing;
- the C&AG is appointed for a single non-renewable term of seven years; and
- there are enhanced arrangements for the governance of the office of the C&AG, including provision for the establishment of a Board. No appointments to the Board have yet been made.

3.10 In the course of the period covered by this report, the JAO has:

- issued a revised Code of Audit Practice to reflect the coming into force of the Comptroller and Auditor General (Jersey) Law 2014;
- issued and kept up to date a three year Audit Plan for the period 2014 to 2017;
- run a major procurement exercise for the appointment of auditors of the States' accounts and, at the request of the Treasurer of the States, the accounts of the Public Employees Contributory Retirement Scheme (PECRS) and the Jersey Teachers' Superannuation Fund (JTSF). As a result of the procurement exercise, PricewaterhouseCoopers LLP were reappointed as auditors of the States' accounts and, acting through a separate engagement team, appointed as auditors of the accounts of PECRS and JTSF, in all cases for a five year period;
- commenced a procurement exercise for the appointment of auditors of the accounts of the Jersey Advisory and Conciliation Service and the Jersey Gambling Commission;
- received correspondence from members of the public and considered whether additional audit work is appropriate;
- delivered a full programme of audit work leading to the publication of reports to the States Assembly (see Appendix 1);
- been represented at, and contributed to, meetings of the States' Audit Committee;
- liaised closely with PricewaterhouseCoopers LLP, the auditors of the States' accounts; and
- contributed to the wider audit profession. I gave a presentation on value for money auditing at an event in Jersey organised by the Institute of Internal Auditors.

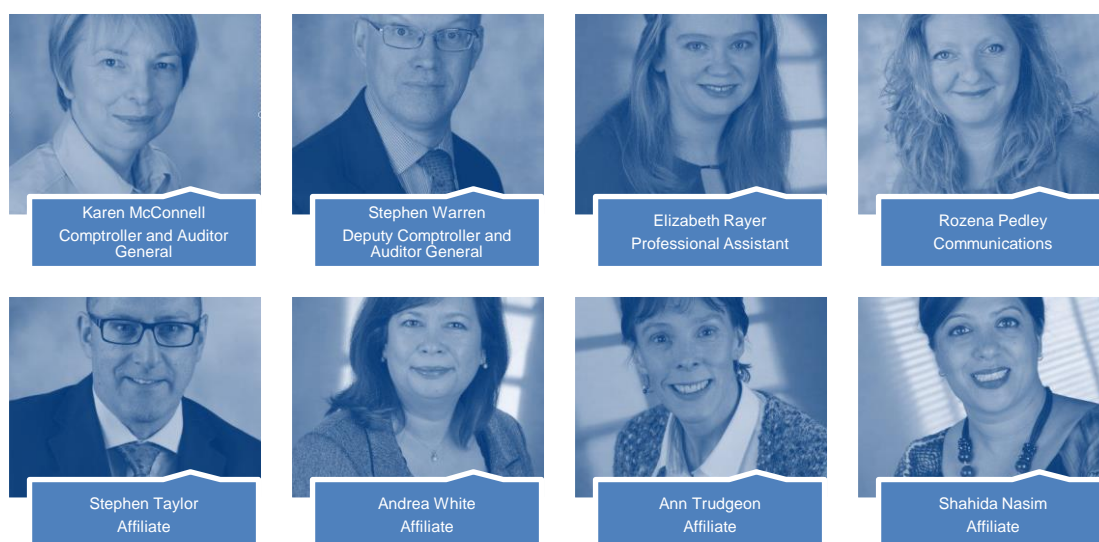
#### **What resources has the JAO used?**

3.11 In discharging my statutory responsibilities, I am supported by a small team engaged on a part-time or call-off basis:

- a Deputy Comptroller and Auditor General who acts as a peer for me, undertakes specific pieces of audit work and deputises for me in my absence;

- a Professional Assistant who supports me in managing the JAO and undertakes specific pieces of work;
- a communications professional who supports me in publishing reports and liaising with the media; and
- affiliates engaged to undertake specific pieces of work (see Exhibit 11).

### Exhibit 11: The JAO team



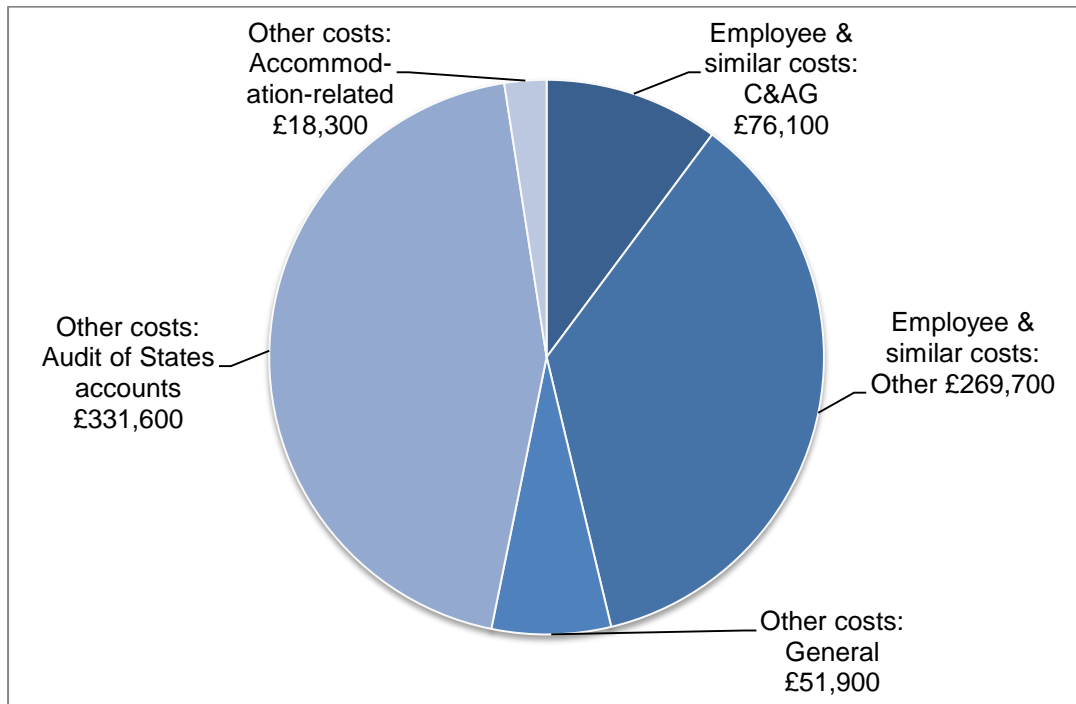
3.12 I, along with the Deputy C&AG, most affiliates and my Professional Assistant hold full professional accountancy qualifications.

3.13 In the course of the year I have also drawn upon specialist input from:

- the United Kingdom National Audit Office to assist in undertaking the review of information security; and
- PricewaterhouseCoopers LLP who, in addition to undertaking the audit of the States' accounts, undertook a review of the arrangements for securing the 'regularity' of the income and expenditure of the States in advance of the extension of the scope of their audit to include an opinion on regularity from 2016.

3.14 For the year ended 31 December 2014 the JAO incurred net expenditure of £747,600 (see Exhibit 12).

## Exhibit 12: JAO Net expenditure 2014



Notes: (1) Based on unaudited accounts that, subject to rounding, agree to the total net revenue expenditure for the Comptroller and Auditor General reported in Note 10.3 to the States' financial accounts.

(2) Other costs: Audit of States accounts are stated net of charge to the Social Security Fund of £60,700.

(3) Other costs: General include £8,000 travel and accommodation costs for the C&AG and £9,700 travel and accommodation costs for other contractors

### 3.15 The net expenditure represented:

- a £106,700 increase over the corresponding figure for 2013, reflecting that 2014 was the first full year of operation of the JAO and included work undertaken to place the office on a firm foundation for the future;
- a £21,100 underspend against the core budget allocation included in the MTFP; and
- a £511,800 underspend against the final allocated budget for 2014, reflecting the substantial unspent allocations carried forward from previous years.

3.16 The Comptroller and Auditor General (Jersey) Law 2014 introduced a requirement for me to provide audited accounts to the States Assembly. I plan to submit those accounts by the end of the year following the appointment of auditors by the Chairman of the Public Accounts Committee and the audit of the accounts.



## What are the JAO's priorities?

3.17 The JAO's priorities for the coming year relate both to its work programme and its operations (see Exhibit 13).

### Exhibit 13: Priorities for the JAO

Area	Action	Rationale
<b>Follow up</b>	Increased focus on follow up of previous recommendations.	Public audit is distinguished by its focus on supporting and driving worthwhile change. The real value from audit work derives from the change that it secures.
<b>Value for money</b>	Increasing focus on value for money.	The initial work of the JAO had a significant focus on corporate governance and internal control as the essential underpinnings of public services. It is now right to shift the focus more towards the 'value for money' leg of my responsibilities.
<b>Audit of other entities</b>	Completion of procurement and effective oversight of contracts for auditors of other entities appointed by the C&AG.	The Comptroller and Auditor General (Jersey) Law 2014 extended the responsibilities of the C&AG and, at the request of the Treasurer of the States, the C&AG assumed responsibility for the appointment of auditors of PECRS and JTSF.
<b>Finalisation of governance arrangements for the JAO</b>	Preparation and publication of audited accounts for 2014 Preparation for any Board to be appointed under the Comptroller and Auditor General (Jersey) Law 2014.	The Comptroller and Auditor General (Jersey) Law strengthened the arrangements for accountability and governance of the JAO.

## Appendix 1: Reports issued by the JAO

Title	Date of issue
Housing Repairs and Maintenance	5 February 2015
Financial Management	2 April 2015
Private Patient Income in HSSD	30 April 2015
Information Security – summary report	16 June 2015
Procurement – follow up	27 August 2015
Internal Audit – follow up	27 August 2015
Use of Management Information in HSSD – Operating Theatres – follow up	27 August 2015

## Appendix 2: Reports due for publication later in 2015

Title
Freedom of Information
Utilisation of Compromise Agreements – Follow up



KAREN McCONNELL  
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