

STATES OF JERSEY



ARM'S LENGTH ORGANISATIONS – VISIT JERSEY (R.149/2018): EXECUTIVE RESPONSE

**Presented to the States on 19th February 2019
by the Public Accounts Committee**

STATES GREFFE

FOREWORD

In accordance with paragraphs 64–66 of P.56/2018, the [Code of Practice](#) for Engagement between ‘Scrutiny Panels and the Public Accounts Committee’ and ‘the Executive’ (February 2018), the Public Accounts Committee present the Executive Responses to the Comptroller and Auditor General’s Report: ‘Arm’s Length Organisations – Visit Jersey’ ([R.149/2018](#)); the first from the Director General, Growth, Housing and Environment (“GHE”); and the second from the Chief Executive Officer of Visit Jersey.

The Public Accounts Committee is content with the Response from the Chief Executive Officer of Visit Jersey.

However, it is disappointed with the Executive Response it received from the Director General, GHE in respect of the C&AG’s Report. The Committee considered that the answers given to some of the recommendations were inadequate. For example, in response to recommendation 32, the Director General had advised “consideration should be given to the establishment of a working group to consider and action this recommendation”. The Committee agreed that his undertaking to consider a consideration was underwhelming. The Director General had also answered, in response to recommendation 4, about evaluating KPIs in the context of strategic objectives, that this would be reviewed, with no clear commitment to achieving that. Other recommendations were agreed but advised to be ‘ongoing’, with no clear plan of action, or lacking detail and substance.

The PAC has asked the Chief Executive, in light of his previously stated commitment to provide adequate, full and meaningful responses to the recommendations of both C&AG and PAC reports, if he was of the opinion that the Executive Response met the standard commensurate with that commitment, and will publish his response in due course.

Senator S.C. Ferguson
Chairman, Public Accounts Committee

REPORT TO THE PUBLIC ACCOUNTS COMMITTEE

Comptroller and Auditor General (“C&AG”) Report title:	Arm’s Length Organisations – Visit Jersey
Report number:	R.149/2018

Director General of Growth, Housing and Environment’s response, January 2019

Summary of response¹

On 6th December 2018, the C&AG published a report titled Arm’s Length Organisations – Visit Jersey (the “Report”). The Report considered the arrangements in place within both the States of Jersey (the “Government”) and Visit Jersey Limited (“Visit Jersey”), and included a number of specific recommendations both to Government and to Visit Jersey.

Visit Jersey is funded by way of a grant from the Minister for Economic Development, Tourism, Sport and Culture. The relationship, which was previously managed by the Economic Development, Tourism, Sport and Culture Department (the “Former EDTSC Department”), is now managed by its successor, the Economy and Partnerships Directorate (the “Directorate”), part of the Growth, Housing and Environment Department.

This document provides the Directorate’s response to the Report’s recommendations to Government. The Directorate is liaising with Visit Jersey regarding their views and respective responses to the Report in order to monitor fulfilment of any commitments they make. The Directorate draws a degree of comfort from the findings of the report directed at Visit Jersey which, save for a few specific areas, is generally positive as to its internal control and governance arrangements.

By way of additional background, on 29th June 2017, the C&AG separately published a report titled Arm’s Length Organisations (the “2017 Report”). Since the publication of that report, the Former EDTSC Department, and subsequently the Directorate, has made concerted efforts to improve its governance arrangements. This includes the introduction of more robust and documented procedures for the management of such funding relationships. These procedures form part of the Directorate’s 3 lines of defence, being –

1. Controls implemented by the independent boards and executives of each funded organisation. Each organisation confirms the high-level content and compliance with their own corporate governance procedures, and compliance with their agreements with the Directorate (“Partnership Agreements and Annual Schedules”) each year.

¹ The Government’s Target Operating Model includes reference to a Head of Partnerships. The Partnerships’ function and the roles and responsibilities that are being transferred to it are under discussion. However, it is envisaged that the roles will include the management of certain Arm’s Length Organisations (“ALOs”). The Partnerships’ working definition varies from that used by the C&AG. The Partnerships’ working definition of ALOs includes both States of Jersey Owned Entities and Arm’s Length Bodies, where Arm’s Length Bodies (“ALBs”) is defined in comparative terms to the C&AGs definition of ALOs. In this response, the terminologies used by the Partnership function are used.

2. Application of the Directorate's internal procedures –
 - (a) to monitor performance of obligations made under Partnership Agreements and Annual Schedules;
 - (b) to provide a robust process to consider the award of annual and top-up grants for recommendation to the Minister;
 - (c) to effectively monitor and challenge performance of these organisations against performance measures they agree to each year;
 - (d) to evaluate value for money for Government of grants awarded to these organisations;
 - (e) ensure compliance with Financial Directions.
3. Assurance provided through additional checks and balances, including –
 - (a) reviews and reports by the Government's internal audit function;
 - (b) reviews and reports conducted by the Comptroller and Auditor General;
 - (c) audits performed by external independent auditors of these organisations.

The Directorate is conscious of the need to ensure its procedures are robust, and as such, welcomes the Report. The Directorate is broadly supportive of the C&AG's recommendations to Government noted in the Report and will, where practicable and appropriate, review and amend its procedures over the course of 2019. However, the States and its various Departments that fund ALBs must balance their efforts to perfect their governance procedures with ensuring that such procedures remain efficient and cost-effective.

Examples of proposed changes in procedures, brought about in response to the Report's recommendation, include –

- Replacing the quarterly documented review with an annual and 6-monthly review, supported by documented formalised quarterly meetings where the department can discuss and challenge the performance, outputs and finances of ALBs. It is believed that this will result in a more rigorous and timely consideration process.
- More rigorous review of the self-assessment governance checklist provided by ALBs, ensuring that where inconsistencies or concerns in the self-assessments are noted, these are appropriately challenged. However, the Directorate currently still plans to continue to place appropriate reliance on the self-assessments/ declaration of such governance arrangements by placing reliance on the duty of care and or director/ trustee responsibilities of those making such declarations.
- Requesting sight of ALBs' ISA 260 (and where made, ISA 265) auditor issued correspondence (communication with those charged with Governance) and sight of ALBs' Directors'/ Trustees' Representation Letters issued to their auditors. Such correspondence (and where appropriate the challenge) to such findings and declarations should generally provide comfort or areas to investigate more thoroughly.

In addition to reviewing and amending our procedures in response to the Report, we will continue to review, adapt and strengthen procedures as part of our commitment to continual improvement, and to reflect our ongoing assessment of the effectiveness and usability of existing procedures.

The Government's Partnership function will be established during 2019. This will fundamentally change how Government manages its relationships with ALBs. The operations and roles to be assumed by this new function will have a materially positive impact. It will focus on the procedures for the management and oversight of Government's relationships with ALOs and reviewing the relevance of functions funded through these organisations to the delivery of Government's evolving strategic policies. The new Partnerships function will also find efficiencies, stimulate positive change, and drive synergies.

The Directorate, under the umbrella of the Growth, Housing and Environment Department, is leading the consideration of the development of the Partnerships function in conjunction with both the Treasury and the Office of the Chief Executive Officer. Such considerations will include the findings of the C&AG in both the Report and the 2017 Report, as well as to the views of the various Government departments with responsibility for managing ALBs.

Government's response to the 2017 Report included the drafting of a new Financial Direction for Arm's Length Organisations, which is pending implementation. Whilst delayed implementation of the new Financial Direction may result in a less consistent governance and control environment across all Government departments in the short term, it may be sensible to delay its introduction until roles and functions to be assumed by the new Partnerships function have been finalised to ensure that the two are aligned.

Recommendation	Response/Action	Target date	Responsible Officer
Award of Grant by the States of Jersey			
<p>R1 Prioritise the development of the proposed Enterprise Strategy, linked to the Common Strategic Policy and Government Plan, and explicitly covering the tourism sector.</p>	<p>The Enterprise Strategy is no longer being developed.</p> <p>The Economic Framework, referenced in the Government's 2018 Common Strategic Policy, will be developed over the course of this Government. The tourism strategy will be developed through this work-stream. The existing Jersey Destination Plan sets out the current strategy for the sector. This was developed by Visit Jersey on behalf of the Minister for Economic Development, Tourism, Sport and Culture/ Government.</p>	31 Dec 2020	Group Director Economy and Partnerships

Recommendation	Response/Action	Target date	Responsible Officer
R8 Ensure that Partnership Agreements are reviewed to ensure compliance with the requirements of the new Financial Direction applicable to ALOs.	As and when the new Financial Directions are introduced, the Directorate will seek to update Partnership Agreements and its procedures in a timely manner. This may require requesting exemptions until the commencement of 2020, as the majority of the Directorate's ALBs have multi-year Partnership Agreements running to the end of 2019.	Immediately upon notification of and implementation of final form Financial Direction	Group Director Economy and Partnerships
R9 Ensure that the targets contained in key strategic and operational documents are aligned.	Noted. See comments above.	Reviewed during course of 2019, in time for 2020 awards	Head of Partnerships and Visit Jersey Budget Holder
R10 Clearly document and communicate the respective roles of the Relationship Manager and Compliance Director.	Noted. Roles to be reviewed and documented/ Partnership Agreement amended to ensure roles are accurately described and communicated. The performance of these functions are being revisited as part of the establishment of the Partnerships function.	30 Sep 2019	Visit Jersey Budget Holder Head of Partnerships
Delivering and Monitoring by Visit Jersey			
R11 Consistently include objectives, targets and actions in strategies.	The Board of Visit Jersey are responding separately to the Report's recommendations directed specifically at them. The Directorate are liaising with the Board of Visit Jersey, and will monitor Visit Jersey's progress against its agreed actions.	Ongoing	Group Director Economy and Partnerships/ Visit Jersey Budget Holder
R12 Working with the States, develop enhanced arrangements for identifying and managing anticipated underspends.	The Board of Visit Jersey are responding separately to recommendations directed to them. The Directorate are liaising with the Board of Visit Jersey, and will review Visit Jersey's progress against its agreed actions.	Ongoing	Group Director Economy and Partnerships/ Visit Jersey Budget Holder
Implementing plans and programmes			
R13 Ensure that Board minutes are published promptly.	The Board of Visit Jersey are responding separately to recommendations directed to them. The Directorate are liaising with the Board of Visit Jersey, and will review Visit Jersey's progress against its agreed actions.	Ongoing	Group Director Economy and Partnerships/ Visit Jersey Budget Holder

Recommendation	Response/Action	Target date	Responsible Officer
R14 Review the continuing appropriateness of the composition of the Board 4 years after its establishment.	See Response to R11 .		
R15 Adopt formal monitoring of the implementation of agreed recommendations from Board effectiveness reviews.	See Response to R11 .		
R16 Consider regular external input into the Board effectiveness review.	See Response to R11		
R17 Introduce a formal evaluation process for Board members.	See Response to R11		
R18 Consider periodic internal audit coverage and/or instituting compliance checks.	See Response to R11		
R19 Formalise the engagement of the Visit Jersey accountant, based on a clear specification.	See Response to R11		
R20 Develop a structured plan to obtain the evidence necessary to prepare an annual Statement on Internal Control.	See Response to R11		
R21 Publish an annual Statement on Internal Control.	See Response to R11		
R22 Carry out a formal job evaluation exercise prior to the recruitment of the next Chief Executive.	See Response to R11		

Recommendation	Response/Action	Target date	Responsible Officer
R23 Develop structured arrangements for validation of all data used to evaluate performance, including evaluation of the design of surveys.	See Response to R11		
R24 Ensure that the goals, priorities and KPIs proposed for inclusion in the schedules to the Partnership Agreement address the States' strategic objectives.	See Response to R11		
R25 Working with the States, use external expertise to challenge the robustness of the approach to deriving RoIs.	See Response to R11		
R26 Ensure that the Annual Report gives prominence to Visit Jersey's performance against objectives, including KPIs.	See Response to R11		
Oversight of Visit Jersey by the States of Jersey			
R27 Routinely document the attendance by the Relationship Manager at and key points arising from meetings with Visit Jersey.	Formal quarterly meetings with Visit Jersey will be documented. These will become integral to evidencing our ongoing consideration of Visit Jersey's performance.	Q1 2019	Visit Jersey Budget Holder
R28 Improve the challenge of Visit Jersey in the quarterly review, including the documentation obtained, and the recording of judgements made.	The application of the operational and financial capability assessment review process will be amended such that it is conducted on a half-yearly basis (in line with the draft new Financial Directions). These reviews will be supported by documented formalised quarterly meetings.	Ongoing	Group Director Economy and Partnerships/ Visit Jersey Budget Holder

Recommendation	Response/Action	Target date	Responsible Officer
R29 Develop and document a wider scope for the annual review of Visit Jersey in time for the 2019 grant award deliberations.	The C&AG Report was published too late to influence the 2019 award process. It is anticipated that this will be targeted for subsequent award considerations by the new Partnerships function.	By end Q3 2019	Group Director Economy and Partnerships Head of Partnerships
R30 As part of its monitoring of Visit Jersey, monitor the implementation of the recommendations for Visit Jersey contained in this report.	Noted. This will be monitored as part of the ongoing review process of Visit Jersey.	Ongoing	Visit Jersey Budget Holder
R31 Undertake the annual reviews of ALOs in parallel to assess whether support for ALOs in aggregate most effectively supports the attainment of the States' objectives.	Noted. It is proposed that a review of the roles and functions of ALBs (including potential efficiencies) is undertaken in 2019 in conjunction with the establishment of the new Partnerships function, and that this determines future grant award recommendations to Ministers.	31 Dec 2019	Group Director Economy and Partnerships, Budget Holders, and Head of Partnerships
Conclusion: Recommendation for the States			
R32 Actively consider and document the consideration of the findings and recommendations in this report for the oversight by the States of other ALOs both individually and generally.	Noted. Consideration should be given to the establishment of an officer working group to consider and action this recommendation.	30 Jun 2019	Head of Partnerships

Recommendations not accepted

None.

Visit Jersey's response, 25th January 2019

Summary of response

This document provides Visit Jersey's response to the Report's recommendations to Government. We have had limited time to consider, and this reply is our initial response; further clarifications may be submitted.

Visit Jersey was established in 2015 and is one of the larger Arm's Length Organisations ("ALOs"). The Review considered arrangements in place both within the States of Jersey and Visit Jersey, and the adequacy of arrangements for the award of the grant, including linkage to strategic objectives and justification for the level of grant; focussing on Visit Jersey, the adequacy of arrangements for internal control, value for money and corporate governance; and focussing on the States of Jersey, the adequacy of arrangements for oversight of Visit Jersey, including measurement of performance against the objectives of the grant.

The Review began in February 2018 and was published on 6th December 2018. The report is an important piece of work that provides comfort to the States of Jersey that a robust infrastructure is in place for delivering the Island's collective tourism aspirations. Valuable recommendations are outlined within the Report as to how we can continue to develop and maintain a proactive, confident and compliant working relationship between the States of Jersey and Visit Jersey. The Report highlights that Visit Jersey has developed a structured approach to how it runs its business, and recognises the progress that has already been made since the previous C&AG report ([R.76/2017](#): 'Oversight of Arm's Length Organisations').

At Visit Jersey, we take our responsibility seriously and recognise that every pound we spend is coming directly from the taxpayer. It is vital that, as a high-performing organisation, we demonstrate characteristics and an approach that ensures Government's objectives are being met and that we continue to deliver value for money. Visit Jersey is an organisation keen to learn and is always looking to improve, and we welcome the Report in its entirety.

The Board of Visit Jersey draws comfort from the findings of the Report, and we note and welcome the conclusions of the C&AG. The Board is committed to working with Government colleagues to implement the recommendations.

“Within Visit Jersey the arrangements for corporate governance and monitoring performance are generally well developed for an organisation of its size.”

(C&AG Review [R.149/2018](#), page 24, paragraph 5.3)

Action Plan

Recommendation	Response/Action	Target date	Responsible Officer
Award of Grant by the States of Jersey			
R1 Prioritise the development of the proposed Enterprise Strategy, linked to the Common Strategic Policy and Government Plan, and explicitly covering the tourism sector.	–		
R2 Agree objectives for Visit Jersey explicitly linked to the Common Strategic Policy, Government Plan and, when adopted, Enterprise Strategy.	–		
R3 Periodically review the continuing appropriateness of existing arrangements for financial support of tourism.	–		
R4 Ensure robust review and evaluation of KPIs proposed by Visit Jersey in the context of the States' strategic objectives, with independent expert advice as necessary.	–		
R5 Ensure that there is sufficient analysis contained in reports to Ministers recommending a grant award.	–		
R6 Bring forward the timetable for annual review of a grant recipient to ensure that	–		

Recommendation	Response/Action	Target date	Responsible Officer
it is undertaken in sufficient time to inform a decision on grant award.			
R7 Ensure that the States' review of Visit Jersey, including Visit Jersey's self-assessment, is challenging and that the conclusions reached are supported by appropriate documented evidence.	–		
R8 Ensure that Partnership Agreements are reviewed to ensure compliance with the requirements of the new Financial Direction applicable to ALOs.	–		
R9 Ensure that the targets contained in key strategic and operational documents are aligned.	–		
R10 Clearly document and communicate the respective roles of the Relationship Manager and Compliance Director.	–		
Delivering and Monitoring by Visit Jersey			
R11 Consistently include objectives, targets and actions in strategies.	The Board will sign-off Visit Jersey's annual business plan to include objectives, targets and actions in strategies. This plan will be presented to the Minister's team for review and agreement.	Ongoing	Head of Partnerships/ CEO Visit Jersey
R12 Working with the States, develop enhanced arrangements for identifying and managing anticipated underspends.	Visit Jersey will continue to provide quarterly business and financial summaries to Government and enhance them in light of these C&AG findings and the Government's modifications once known.	Ongoing	Head of Partnerships/ CEO Visit Jersey

Recommendation	Response/Action	Target date	Responsible Officer
Implementing plans and programmes			
R13 Ensure that Board minutes are published promptly.	Board minutes will be published within 2 weeks following the next Board meeting (to allow for ratification).	Ongoing	CEO Visit Jersey
R14 Review the continuing appropriateness of the composition of the Board 4 years after its establishment.	The Board is comprised of independent non-executive directors both from Jersey and off-Island. We will continue to review the Board's composition in light of business needs and good governance. The Board has established a nominations committee.	Q4 2020	Chairman Visit Jersey
R15 Adopt formal monitoring of the implementation of agreed recommendations from Board effectiveness reviews.	The Senior Independent Director ("SID") will lead a further evaluation of the effectiveness of the Board, and consideration will be given to an external costed review, if the need arises.	Ongoing	SID Visit Jersey
R16 Consider regular external input into the Board effectiveness review.	Visit Jersey is confident in the composition of the Board, and a senior independent representative from the Government attends all Board meetings. The Board, at this time, is not persuaded that this would be the best use of taxpayers' funds.	Ongoing	Chairman Visit Jersey
R17 Introduce a formal evaluation process for Board members.	See R15 .	Ongoing	Chairman Visit Jersey
R18 Consider periodic internal audit coverage and/or instituting compliance checks.	The Audit Committee of Visit Jersey considers the need for an internal audit function periodically. To date, the conclusion has been that an internal audit function is not warranted however, as the company engages an independent chartered accountant to prepare management accounts. This will continue to be monitored by the Audit Committee.	Ongoing	Chairman and CEO Visit Jersey
R19 Formalise the engagement of the Visit Jersey accountant, based on a clear specification.	Will be actioned in Q1 2019.	Q1 2019	CEO Visit Jersey

Recommendation	Response/Action	Target date	Responsible Officer
R20 Develop a structured plan to obtain the evidence necessary to prepare an annual Statement on Internal Control.	Visit Jersey will define its approach to risk management, internal control and corporate governance and set this out in our Annual Financial Statement. The first such report will be for the financial year 2019.	2020	CEO Visit Jersey
R21 Publish an annual Statement on Internal Control.	See R20 .	Annually	CEO Visit Jersey
R22 Carry out a formal job evaluation exercise prior to the recruitment of the next Chief Executive.	The current CEO is due to step down in 2020, and planning for his replacement will begin in Spring 2019. Advice will be sought from the Government's Appointments Commission, and a professional recruitment adviser will be retained to support the process.	Q2 2019	Chairman Visit Jersey
R23 Develop structured arrangements for validation of all data used to evaluate performance, including evaluation of the design of surveys.	Visit Jersey has developed a structured arrangement for all data used to evaluate performance, including evaluation of the design of surveys. The company commissions third party expert companies to undertake research and evaluation. The Exit Survey methodology was reviewed and passed by BDO in 2018. This will be repeated in 2019. Visit Jersey will consider an independent review of the methodologies during 2020.	2020	CEO Visit Jersey
R24 Ensure that the goals, priorities and KPIs proposed for inclusion in the schedules to the Partnership Agreement address the States' strategic objectives.	As part of the annual planning process, Visit Jersey will work with the Head of Partnership to align, where possible, tourism's goals with those of Government. Visit Jersey's Business Plan was first presented to Government in September 2018, the Government's Strategic Objectives were published in November 2018, and the refreshed Jersey Destination Plan was published in January 2019. The JDP clearly sets out the relationship between Government's strategic priorities and tourism's contribution.	Ongoing	Head of Partnership/ CEO Visit Jersey

Recommendation	Response/Action	Target date	Responsible Officer
<p>R25 Working with the States, use external expertise to challenge the robustness of the approach to deriving RoIs.</p>	<p>The approach taken by Visit Jersey on RoIs is the same as used by VisitBritain and many other tourist boards. It has been reviewed by both the National Audit Office and Treasury, and accepted as being a realistic and pragmatic way of calculating a tourist board's interventions.</p> <p>As part of deepening relationships with Government, and demonstrating the difference Visit Jersey makes, we are keen for a broader consideration by the new Partnership team.</p>	Ongoing	Head of Partnership/ CEO Visit Jersey
<p>R26 Ensure that the Annual Report gives prominence to Visit Jersey's performance against objectives, including KPIs.</p>	<p>Visit Jersey publishes 2 reports annually: statutory Financial Statements, and Annual Reports.</p> <p>The 2018 Annual Report will ensure that Visit Jersey's performance against objectives, including KPIs, is set out in a clear and consistent manner.</p>	Action for 2018 Annual Report to be published May 2019	CEO Visit Jersey
Oversight of Visit Jersey by the States of Jersey			
<p>R27 Routinely document the attendance by the Relationship Manager at and key points arising from meetings with Visit Jersey.</p>	–		
<p>R28 Improve the challenge of Visit Jersey in the quarterly review, including the documentation obtained, and the recording of judgements made.</p>	–		
<p>R29 Develop and document a wider scope for the annual review of Visit Jersey in time for the 2019 grant award deliberations.</p>	–		

Recommendation	Response/Action	Target date	Responsible Officer
R30 As part of its monitoring of Visit Jersey, monitor the implementation of the recommendations for Visit Jersey contained in this report.	–		
R31 Undertake the annual reviews of ALOs in parallel to assess whether support for ALOs in aggregate most effectively supports the attainment of the States’ objectives.	–		
Conclusion: Recommendation for the States			
R32 Actively consider and document the consideration of the findings and recommendations in this report for the oversight by the States of other ALOs both individually and generally.	–		

Recommendations not accepted

None.