

# STATES OF JERSEY



## FINANCIAL MANAGEMENT AND INTERNAL CONTROL (R.121/2019): EXECUTIVE RESPONSE

---

Presented to the States on 26th November 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 presents the Executive Response to the Comptroller and Auditor General’s (“C&AG”) Report entitled Financial Management and Internal Control ([R.121/2019](#)), presented to the States on 19th September 2019).

The Public Accounts Committee will follow up on the Executive Response at its public hearing with the Chief Executive on 9th December 2019, and in its forthcoming Report on Financial Management.

**Senator S.C. Ferguson**  
Chairman, Public Accounts Committee

## REPORT TO THE PUBLIC ACCOUNTS COMMITTEE

### Comptroller and Auditor

General (“C&AG”) Report title: [Financial Management and Internal Control](#)

Report number: R.121/2019

Executive Response due by: 1st November 2019

### Chief Executive/ Director General’s Response

#### Summary of response

The Chief Executive Officer and Director General of Treasury and Exchequer welcome the C&AG’s report. It is pleasing that the report recognises the positive change that is taking place. All recommendations for further improvement are accepted.

As well as achieving specific targets – such as the implementation of a new Public Finances Law, preparation of a new Public Finances Manual, the earlier publication of the States’ Annual Report and Accounts and a new Risk Management Strategy – the report welcomes the work undertaken to “strengthen consideration of finance matters by both the Council of Ministers and the Executive Management Team and to emphasize the importance of working together on finance”. Key structural changes have also been pivotal to this change, including consolidating all finance staff into Treasury and Exchequer with a new operating structure.

The report will help us to further improve our financial management and internal controls, recognising further investment required. While most initiatives are already underway, an action plan will be put in place to address the recommendations made.

#### Action Plan

Recommendation	Action	Target date	Responsible officer
<b>Financial Management</b> <b>R1</b> Develop and implement the changes to accountability arrangements that are necessary in order to secure effective accountability whilst preserving constitutional independence of certain bodies, including the States of Jersey Police.	The States of Jersey Police have operational independence, which is protected in law. The status of the Chief of Police as Accountable Officer for the Force is also protected in law. The Accountable Officer letter for the Chief of Police will be reviewed and revised as appropriate to ensure that this operational independence is categorically clear.	31/12/2019	Treasurer of the States
	Once the C&AG’s report on Non-Ministerial Departments has been received, the recommendations will be considered, and further actions planned if necessary.	31/12/2019	Chief of Staff

Recommendation	Action	Target date	Responsible officer
<p><b>R2</b> Undertake a comprehensive, structured post-implementation review of the Finance Business Partner model, with input from user departments, to ensure that the full benefits of the new model are secured.</p>	<p>The Finance Business Partner model is in the very early stages of development having commenced in May 2019.</p> <p>Finance will provide enhanced strategic insight by embedding finance business partnering and conduct a structured post-implementation review of the model to ensure that the full benefits are being realised by 31/12/2020.</p>	31/12/2020	Director – Performance, Accounting and Reporting
<p><b>R3</b> Ensure that standard objectives for financial management are set for all staff with financial management responsibilities at each grade.</p>	<p>The current Interim Behaviours Framework contains Core Leadership Accountabilities, including the following for Finance and Performance –</p> <p>“Be responsible for significant delegated budget and resources, ensuring they are allocated effectively for the delivery of intended outcomes, ensuring value for money and compliance with relevant policies and guidelines.”</p> <p><a href="https://soj/Employees/InterimBehavioursFramework/Pages/TierTwo.aspx#anchor-2">https://soj/Employees/InterimBehavioursFramework/Pages/TierTwo.aspx#anchor-2</a></p> <p>People Services are working on a new Behaviours Framework link to our core values, and as a result the Core Leadership Accountabilities will be reviewed in 2020 once all department target operating models have been completed.</p>	31/12/2020	Head of Organisational Development and Learning
<p><b>R4</b> Monitor the completion of staff appraisals and take prompt corrective action where necessary.</p>	<p>‘My Conversation, My Goals’, the employee appraisal scheme, is monitored quarterly and data is sent to departments to allow the department to act on.</p> <p>The People Services team continue to work with departments to improve and embed the appraisal process and systems.</p>	Ongoing continuous improvement	Head of Organisational Development and Learning

Recommendation	Action	Target date	Responsible officer
<p><b>R5</b> Prioritise a review of financial management training for non-financial managers.</p>	<p><i>A Finance for Non-Finance Managers</i> Strategy is being developed to be published in December 2019.</p> <p>In addition, finance courses are available on the new <i>My Development</i> portal available to all staff.</p> <p>An Implementation Plan will be developed for the Strategy in early 2020.</p> <p>A training plan has been developed for the new Public Finance Manual and training for non-finance teams has begun.</p> <p>A module on the Public Finance Manual will be included in the new Corporate Induction for all new staff, and there are plans to develop more detailed financial management induction training for budget holders.</p>	<p>31/01/2020</p> <p>By 31/03/2020</p> <p>Complete</p> <p>01/01/2020</p>	<p>Group Director, Strategic Finance</p>
<p><b>R6</b> Ensure that, as part of the new corporate arrangements for monitoring the implementation of recommendations, arrangements are put in place to facilitate reporting back to relevant Scrutiny Panels on progress in implementing recommendations that they have made.</p>	<p>The database is being developed and refined. Once this has happened and reporting is embedded, the database will be extended, over the course of 2020, to include all outstanding and relevant recommendations from Scrutiny Panels. Report formats are being prepared to summarise the data in digestible form.</p> <p>First reports provided to Corporate Strategy Board and Public Accounts Committee (“PAC”).</p> <p>Include relevant and outstanding Scrutiny recommendations in database.</p> <p>Broaden reporting to include relevant and outstanding Scrutiny recommendations in database.</p>	<p>31/12/2019</p> <p>30/06/2019</p> <p>31/12/2019</p>	<p>Chief of Staff</p>

Recommendation	Action	Target date	Responsible officer
<p><b>R7</b> Enhance the arrangements for the scrutiny of existing expenditure, including:</p> <ul style="list-style-type: none"> <li>• development of a programme of zero-based budget reviews; and</li> <li>• ensuring that savings are identified in sufficient time that no unidentified savings are included in the Government Plan when lodged.</li> </ul>	<p>The ‘One Government’ reforms aim to modernise how we’re structured and organised, so that we can improve the quality, efficiency, effectiveness and value-for-money of our services for Islanders.</p> <p>This is closely aligned to commitments in the Government Plan to modernise Government through ongoing initiatives and themes, for example –</p> <ul style="list-style-type: none"> <li>• improved financial and performance monitoring and management;</li> <li>• more robust risk management; and</li> <li>• using a wider range of evidence and best practice.</li> </ul> <p>This area is considered in the Plan alongside investment in other CSP priorities, and will likewise be monitored in a similar way moving forwards.</p> <p>A programme of zero-based budget reviews (“ZBB”) will be implemented in 2020, to include the development of a suitable approach for the GOJ and the upskilling of Business Partners in this critical area.</p> <p>Carrying out ZBB for an organisation the size of the GOJ will take time to embed and iterate, including the development of data on cost drivers to inform the process, but we expect that ZBB will begin to inform the 2021, with more substantial insight to the 2022, Government Plan.</p> <p>Commitment has already been given to including savings within the Government Plan 2021–2024 when lodged.</p>	<p>31/12/2020</p> <p>31/12/2021</p> <p>Government Plan 2021–2024</p>	<p>Treasurer of the States</p> <p>Chief Operating Officer</p>
<p><b>R8</b> Establish clear plans for completing the People Strategy and Estates Strategy in sufficient time for</p>	<p>We are developing a People Strategy to support of the delivery of the Government plan. This will be completed by the end of this year. The Government Plan includes investment</p>	<p>31/12/2019</p>	<p>Head of Organisational Development and Learning</p>

Recommendation	Action	Target date	Responsible officer
<p>them to be taken into account when developing the next Government Plan.</p>	<p>for learning and development activity for all colleagues which will feature in the People Strategy, alongside development of talent, workforce planning, succession planning and a focus on employee engagement.</p> <p>An Outline Business Case for a corporate HQ has been developed that will set the framework for the future use and rationalisation of the current office estate. This considers a corporate HQ for all administrative and back-office functions, and focusing Government of Jersey customer offering into fewer locations. Benefits articulated in the business case include, but are not limited to –</p> <ul style="list-style-type: none"> <li>• Better operating arrangements</li> <li>• A reduction in overall sites</li> <li>• Cost-effective use of accommodation</li> <li>• Flexible workplace solution</li> <li>• Wider economic benefits, such as employment during the construction phase</li> <li>• Releasing sites for disposal</li> <li>• Operational revenue savings.</li> </ul> <p>A private briefing will be scheduled to discuss the Office Modernisation Programme business case with the PAC and the Corporate Services Scrutiny Panel (“CSSP”).</p> <p>This will be the first stage of a wider Estates Strategy intended to deliver a corporately managed efficient sustainable and commercial public estate that is scheduled for completion in December 2019.</p> <p>Therefore, in less than 2 years, the Chief Executive has ensured that there will be significant progress on these key priorities, which has again been outlined to the PAC in previous sessions and submissions.</p>	<p>31/12/2019</p>	<p>Chief Executive Officer</p>

Recommendation	Action	Target date	Responsible officer
<p><b>R9</b> Annually report on compliance with the resourcing principles.</p>	<p>The preparation of the Government Plan included presentation of proposed financial principles to the Council of Ministers, as well as their agreement. These included consideration and inclusion of the recommendations by the Fiscal Policy Panel.</p> <p>Part 3 of the Government Plan clearly sets out these principles, and includes a statement regarding their use in the preparation of the Government Plan.</p> <p>To ensure that the document was accessible, a detailed analysis of compliance was not included in the Plan itself, but we will consider publishing this separately and in future Government Plans.</p>	<p>Government Plan 2021–2024</p>	<p>Treasurer of the States</p>
<p><b>R10</b> Following adoption of the Government Plan, ensure that the proposed formal review of the preparation of and engagement around the Plan is comprehensive and completed in sufficient time to inform the next Government Plan.</p>	<p>The review is underway and has been driven by the Department of Strategic Policy, Planning and Performance (“SPPP”). This has involved one-to-one interviews with stakeholders and participants in the Government Plan across all departments and levels, including non-Ministerial Departments. The results of this are currently being collated, and will be part of the planning process for the next Government Plan.</p>	<p>31/12/2019</p>	<p>Director of Corporate Planning and Performance</p>
<p><b>R11</b> Reconsider the scope for budgeting for impairments.</p>	<p>Impairments of receivables are already reflected in the Government Plan, both in General Revenues and within Department cash limits.</p> <p>The main driver of impairment of fixed assets is the annual valuation of infrastructure and property assets, which can fluctuate, and is driven by many factors outside of our control, and cannot be estimated reliably.</p>	<p>Complete</p> <p>Reconsider scope in advance of Government Plan 2021–2024</p>	<p>Director – Performance, Accounting and Reporting</p>
<p><b>R12</b> Prepare, adopt and monitor implementation of a plan to improve the quality of reporting of non-financial</p>	<p>In January 2020, the ‘Jersey Standard’ will be launched, setting out –</p> <ul style="list-style-type: none"> <li>• key principles to ensure a robust approach to performance across Government</li> </ul>	<p>31/01/2020</p>	<p>Director of Corporate Planning and Performance</p>



Recommendation	Action	Target date	Responsible officer
<p>information both externally and internally.</p>	<ul style="list-style-type: none"> <li>• a consistent approach to measuring performance using the Outcomes-Based Accountability (“OBA”) model</li> <li>• a coherent structure to report performance data from across Government</li> <li>• transparency of Government performance and impact.</li> </ul> <p>A key feature of the Jersey Standard is a suite of performance scorecards covering outcome <i>indicators</i> and service performance <i>measures</i>. An ongoing ‘Data Development Agenda’, underpinned by a metadata framework, will continually improve the scorecards as new data requirements are identified and implemented. Data quality and audit will be overseen by a new Jersey Standard Governance Group.</p> <p>Key remaining milestones include –</p> <ul style="list-style-type: none"> <li>• Briefing to Council of Ministers: November 2019</li> <li>• Governance Group established: November 2019</li> <li>• Jersey Standard scorecards signed off: December 2019</li> <li>• Reporting process and schedule finalised: December 2019</li> <li>• OBA Training Plan: roll out from January 2020</li> <li>• Communications Plan: roll out by January 2020</li> <li>• Jersey Standard performance scorecards published on gov.je: January 2020</li> <li>• Recruit 2 new posts to Performance Team in SPPP by April 2020.</li> </ul> <p>Implementation will enable the Executive Management Team with a strategic view of Government operations on a quarterly basis, collating dedicated financial, risk, performance and people information to inform decision-making.</p>		



Recommendation	Action	Target date	Responsible officer
	suitable assurance based on the level of decision-making informed.		
<b>Financial Directions</b> <b>R15</b> Develop and implement an overarching framework for establishing, communicating and monitoring compliance with corporate standards in areas other than finance.	A cross-departmental governance group has been established, which aims to document the entire corporate governance framework of the Government and States and identify gaps for further work. This framework will include areas such as Human Resources and Information Security standards and codes of practice. The intention is to publish the framework in the same way as the Public Finances Manual will be made available.	31/12/2020	Treasurer of the States and Director General of Strategic Policy, Planning and Performance
<b>R16</b> Establish robust arrangements for consultation with users, including those in Non-Ministerial Departments, on finance modernisation setting out a framework to determine: <ul style="list-style-type: none"> <li>● when consultation will take place;</li> <li>● with whom it will take place;</li> <li>● how it will take place; and</li> <li>● how user views will be considered.</li> </ul>	Development of the Public Finances Manual to date has included internal consultation, where Directors General were asked to seek the views of users within their departments. This arrangement will now be formalised through a PFM (Public Finances Manual) Steering Group, which will include a user representative from both Ministerial and Non-Ministerial Departments. This Group, including user representation, will be used to approve both new sections and amendments to existing sections on a permanent basis.	31/12/2019	Treasurer of the States
<b>R17</b> Ensure that agreed management action detailed in this report is taken before finalising the PFM.	The agreed management action has been completed – <ul style="list-style-type: none"> <li>● Briefings to departmental SLTs (Senior Leadership Teams) is almost complete</li> <li>● Risks have been reinstated in the PFM</li> <li>● The PFM includes detail of the process for approving amendments and new sections</li> <li>● User representation is being formalised (see <b>R16</b> above)</li> </ul>	Complete	Treasurer of the States

Recommendation	Action	Target date	Responsible officer
	<ul style="list-style-type: none"> <li>• Once the PFM is published on <a href="http://www.gov.je">www.gov.je</a> it will allow the Manual to be searched</li> <li>• A training plan has been developed</li> <li>• Online induction training is well advanced.</li> <li>• A communications plan has been developed and will be implemented when the PFM publication date is confirmed.</li> </ul>		
<p><b>R18</b> Ensure that the internet facilitates effective updating, navigation, searching and cross-referencing before using it as the platform for the PFM.</p>	<p>Once the PFM is published on <a href="http://www.gov.je">www.gov.je</a> it will allow the Manual to be searched. Updates will be recorded sequentially online. Hyperlinks will be used to cross-reference sections.</p>	31/12/2019	Treasurer of the States
<p><b>R19</b> Ensure that robust training and communication plans are developed in good time for all major finance modernisation initiatives that require engagement with users outside Treasury and Exchequer.</p>	<p>For the PFM –</p> <ul style="list-style-type: none"> <li>• a PFM (Public Finances Manual) Steering Group will include a user representative from both Ministerial and Non-Ministerial Departments.</li> <li>• A training plan has been developed.</li> <li>• Online induction training is well-advanced.</li> <li>• A communications plan has been developed and will be implemented when the PFM publication date is confirmed.</li> </ul> <p>A similar approach will be adopted for any future finance modernisation initiatives that require engagement with users outside Treasury and Exchequer.</p>	31/12/2019	Treasurer of the States
<p><b>R20</b> Ensure that business cases are prepared for all exemptions to the mandatory requirements of the PFM and, in summarised form, routinely reported to the Risk and Audit Committee.</p>	<p>The breach and exemption process is being reviewed prior to launch of the PFM. Any requests for exemptions must be accompanied by full explanations. These will be scrutinised to consider whether any amendments are necessary to the Manual or associated policies, or whether additional training is required. Information will be reported in summary form to the Risk and Audit Committee.</p>	31/12/2019	Director Risk and Audit

<b>Recommendation</b>	<b>Action</b>	<b>Target date</b>	<b>Responsible officer</b>
<b>R21</b> Ensure that a formal annual review of the PFM is undertaken, drawing widely on the views of service departments and other central functions interacting with Treasury and Exchequer.	A timetable for review of each section of the Manual is being developed which considers risk, applicability (in terms of number of users affected) and financial value. This gives a frequency for each section ranging from annual to 3-yearly.  Reviews will begin in 2020.	31/12/2019  From 30/06/2020	Director Risk and Audit  Director Risk and Audit
<b>Risk Management</b> <b>R22</b> Establish a clear timetable for finalisation of key governance documents for risk management and monitor delivery against it.	The timetable is now in place. Risk Management Strategy and guidance documents have been reviewed and scheduled for approval by the Executive Management Team and Council of Ministers by early November.  Monitoring arrangements are set out in the Risk Management Strategy.	Complete  Monitoring will be ongoing	Director Risk and Audit
<b>R23</b> Prioritise recruitment of suitably skilled and experienced members of the Risk and Audit Committee so that it can return to quoracy as a matter of urgency.	The new member recruitment advert closed on 27th September 2019. Six candidates applied, and shortlisting took place on 8th October 2019. Interviews will take place in 2 tranches on 31st October and 22nd November to ensure that the Committee is returned to quoracy.	30th November 2019	Director Risk and Audit
<b>R24</b> Develop, adopt and monitor implementation of a formal plan for finalising the Risk Management Strategy, Code and associated Guidance.	The Director of Risk and Audit has put plans in place to adopt and monitor implementation of the Corporate Risk Management Strategy and associated guidance. The strategy has been reviewed by the Executive Management Team and Council of Ministers and will be formally approved in October/November. The Strategy sets out the process for future review of the documents.	30th November 2019  Monitoring will be ongoing	Director Risk and Audit
<b>R25</b> Finalise risk escalation arrangements for Non-Ministerial Departments.	This is an ongoing discussion with Non-Ministerial Departments as to how they wish to adopt the Government's risk management arrangements. An information session has been delivered to Non-Ministerial Departments on risk management and the arrangements within Ministerial	31st December 2019	Director Risk and Audit

Recommendation	Action	Target date	Responsible officer
	Departments. We would hope to conclude these discussions before the end of 2019.		
<b>R26</b> Develop, adopt and monitor implementation of mechanisms to capture and share experience of departmental training initiatives across the States.	This is being undertaken through the Departmental Risk Group (DRG) and a series of peer reviews/ inter-departmental learning sessions. The DRG links back in to the Departmental Senior leadership teams and Executive Management Team and will identify any cross-cutting themes. Assurance will be provided through Internal Audit reviews of departmental arrangements.	Beginning following DRG meeting on 28th October 2019	Director Risk and Audit
<b>R27</b> Develop, adopt and monitor implementation of structured arrangements for peer review of departmental risk registers.	Peer review arrangements will be finalised at the Departmental Risk Group meeting on 28th October 2019.	Beginning 28th October 2019	Director Risk and Audit
<b>R28</b> In implementing revised arrangements for risk management, focus on steps to secure cultural change within the States' workforce to embrace risk management as an integral tool of management, including capturing and sharing of learning.	An independent Risk Maturity Assessment will be undertaken in 2020. We will monitor cultural change through the DRG, an early assessment of what positive culture looks like was carried out at the August DRG meeting. Further evidence of changing practice will be ascertained from Internal Audit review of risk management arrangements and feedback from DRG. Internal Audit review will be scheduled for early 2020.	April 2020	Director Risk and Audit
<b>Internal Audit</b> <b>R29</b> Review and update the job descriptions for key officers, including the Chief Executive, Treasurer of the States, Director of Risk and Audit and Chief Internal Auditor to ensure that they adequately support the operational	The Public Finances Manual includes a number of reporting arrangements that safeguard the operational independence of the Chief Internal Auditor.  Job descriptions will be reviewed and amended as considered necessary.	30/6/2020	Treasurer of the States

Recommendation	Action	Target date	Responsible officer
independence of the Chief Internal Auditor.			
<p><b>Management of the finance modernisation initiatives</b></p> <p><b>R30</b> Periodically review internal capacity and capability within Treasury and Exchequer to sustain the delivery of key corporate activities.</p>	<p>The Treasury and Exchequer Senior Leadership Team is implementing revised Terms of Reference, which will include a specific meeting to consider Transformation initiatives, including the resourcing and prioritisation of initiatives. This will also feed into the annual Business Planning process.</p>	31/12/2019	Treasurer of the States
<p><b>R31</b> Implement consistent and clear arrangements for the planning, management, resourcing and governance of all elements of finance modernisation.</p>	<p>The Treasury and Exchequer Senior Leadership Team will have a meeting dedicated to Transformation, which will consider all modernisation initiatives across the Department. This will be supported by suitable programme governance, including consistent reporting templates in line with corporate requirements of the CPMO operating within the COO.</p>	31/12/2019	Treasurer of the States
<p><b>R32</b> Establish arrangement to report transparently, consistently and on a timely basis on finance modernisation initiatives.</p>	<p>The costs of the Finance Transformation Programme to date have been tracked in line with budget responsibilities.</p> <p>This has been generally limited to the cost of external support to the main programme, as internal resourcing was funded from within existing budgets on a secondment basis. This was a pragmatic solution during a period of great change, including a fundamental restructure of services.</p> <p>Part of transformation is a change in culture, including a move to a department which seeks to continuously improve and transform. There are already a number of initiatives delivered outside of the core programme, such as the Faster Close of the Accounts, the development of the Public Finance Manual, and the ongoing development of Risk Management. Some of these have led to additional costs, such as additional audit fees.</p>	31/12/2019	Head of Finance Transformation

