

STATEMENT TO BE MADE BY THE CHAIRMAN OF THE SHADOW PUBLIC ACCOUNTS COMMITTEE IN THE STATES ON TUESDAY 29th JUNE 2004

Internal Audit report on Jersey Competition Regulatory Authority (JCRA)

The above-named internal audit report, which was a confidential, internal document, has been lodged as an R.C. by the Economic Development Committee on Tuesday 29th June. It was never intended that this report should be made available in the public domain since it was to be treated as are all audit reports issued by the Chief Internal Auditor – confidential to those who are named recipients. The Chairman and Shadow Chairman of the Shadow Public Accounts Committee receive copies of all internal audit reports in confidence. They decide whether reports should be copied to the other members of the Shadow PAC. Consideration is then given as to whether the Shadow PAC needs to undertake its own review based on the findings of the audit report. If this course of action is taken, the conclusions of the Shadow PAC will be made public via a report and a public hearing.

A copy of the internal audit report on the Jersey Competition Regulatory Authority (JCRA) was referred to the two Shadow PAC Chairmen on 26th May 2004. Following receipt of the audit report the Chairmen held discussions with the Chief Internal Auditor and the Economic Development Committee and its officers about how best to progress the issues identified in the audit report. It was agreed that the report should be released in confidence to all members of the Shadow PAC and paper copies of the report were sent to these individuals on 22nd June. On 25th June the Jersey Evening Post contacted the President of the Economic Development Committee to state that they had a copy of the internal audit report.

It is with regret that a report which was always intended to be confidential has been released to part of the media without the knowledge or approval of the Chairmen of the Shadow PAC, the President and Chief Officer of the Economic Development Committee or the Chief Internal Auditor. Internal audit reports, as their name suggests, are internal documents. The primary objective of internal audit is to provide assurance to Chief Officers and Committee Presidents that adequate financial controls are operating within their departments. In order to fulfil this duty adequately, the Chief Internal Auditor and her staff rely on good, open relationships with Chief Officers and their staff. Chief Officers need to feel that they can share concerns with the Chief Internal Auditor. Internal audit reports are a helpful source of advice and guidance for Chief Officers and others. The Chief Internal Auditor monitors the implementation of all recommendations. The Chairmen of the Shadow PAC, together with their colleagues on the Committee, decide if there are areas resulting from internal audit's work which require investigation by the Shadow PAC because they are of public interest and/or are examples of waste, mis-management or poor value for money.

The Chairmen of the Shadow PAC had already commenced discussions with Economic Development Committee regarding the report and are making arrangements to visit the JCRA to conduct further investigations. There is no public benefit whatsoever in this report, which specifically only examined the grant paid by the States to the JCRA, being released to the public or the media. The Shadow PAC had already committed to investigate the failings identified in this report and must be left to carry out its investigations. Whoever provided the report to the Jersey Evening Post has done a great disservice to the proper conduct of government and, if it is found that the report has come from a member of the Shadow PAC they will be asked to resign. The Shadow PAC sees a fundamental difference between confidentiality, which it considers applied to this internal audit report, and secrecy, which the Committee does not believe to be acceptable or appropriate in government business.

Finally, the Shadow PAC were disappointed that the corporate governance arrangements relating to this public expenditure were found to be inadequate, in the light of the report by the Audit Commission which was produced in November 2002 looking at the processes involved in the production of the 2020.je report. This report made recommendations for the future regarding funding given to third party bodies. In particular the report recommended that –

the Finance and Economics Committee should ensure that there are standard arrangements for the governance and constitution of such bodies;

the involvement and responsibilities of States members on such bodies should be clearly set out;

the sponsoring Committee should ensure that governance arrangements are in place, and that members of the body are made aware of their responsibilities;

the sponsoring Committee cannot delegate ultimate responsibility for funds placed under its control and must satisfy itself on a regular basis that value for money is being achieved;

the members of the body have a collective responsibility to ensure proper governance and stewardship of public funds.

Clearly the States have not learnt from the lessons of this previous audit report. As part of its investigations, the Shadow PAC will be contacting all departments asking them to clarify whether they have ensured the recommendations made in the 2020.je report are reflected in the arrangements they have with any relevant bodies for which they have responsibility and/or provide States funding to.