

## **STATEMENTS ON A MATTER OF OFFICIAL RESPONSIBILITY**

**Chairman, Public Accounts Committee - statement regarding the review of a £200,000 grant to a film company**

### **The Deputy Bailiff:**

We now come to item K on the agenda, and the Chairman of the Public Accounts Committee will make a statement regarding the review of a £200,000 grant to the film company.

### **6. Deputy T.A. Vallois (Chairman, Public Accounts Committee):**

Today P.A.C. presents the follow-up to its report of April 2013 concerning the £200,000 grant to a film company. In essence, our report sets out 5 lessons that should be learned from this affair: one, be clear about what you are trying to achieve; 2, action plan effectively; 3, due diligence should be proportionate to the amount of public money involved; 4, exercise due care and attention when drafting contracts; and 5, improve standards of record keeping, particularly those relating to decisions made by Ministers. Each of these lessons could in truth have been learned from our first report. They are really little more than common sense. Unfortunately, P.A.C. was not clear that those lessons were learned in 2013. Our first report was all but set aside by the Executive, which appeared to us to go on the defensive. The Minister for Economic Development rebutted the majority of our original findings by way of a formal response to this Assembly while his department continued to devote resource in support of the film project. At the same time, senior civil servants instructed the Chief Internal Auditor to: "Review the findings and recommendations raised in the P.A.C. report to ascertain if reasonable and based on fact." Members will not need me to explain why this was a most improper instruction. Treasury did at least take positive action in the background. The financial directions concerning management of grants were revised just as P.A.C. had recommended. While the Executive was busy defending, my committee reflected. We tested our findings against the response of the Minister for Economic Development. We took another hard look at the evidence in our files. When the Chief Internal Auditor's report was finally completed in November 2013, we put our offence to one side and considered the findings. We found that once some notably diplomatic language was stripped away, the findings looked rather similar to our own. Having reflected, my committee is even more satisfied that it understands the realities of this case very well. The reality is that the Economic Development Department gave £200,000 to a U.K. registered company that has not produced a film in Jersey. We do not know precisely where that money went or how much of it really was spent on Island. There is no clear evidence that the grant has benefited the Island's creative media industry or aided the tourism industry, these being the 2 documented purposes of the grant. There are clauses in the Canbedone contract that have not been fulfilled by that company and probably never will.

### **The Deputy Bailiff:**

The Chairman is now open for questions on that subject. Deputy Le Hérisser.

### **6.1 Deputy R.G. Le Hérisser:**

Is it the considered view of the P.A.C., therefore, given this quite damning critique, unfortunately, that this project should never have been allowed to proceed? At what point would the P.A.C. have thought that the project should have been pulled or should have been terminated?

### **Deputy T.A. Vallois:**

P.A.C. has never been critical of E.D.D. going towards looking at creative media industries and this goes back; time and time again we have to repeat ourselves. This is about the process and procedures that are in place and what we as States Members expect officers to follow. In those terms, we agree that there should be diversification, as was said in our first report and our second report. We support the Minister for Economic Development in doing so. However, we do expect high standards to be met because this is public money.

#### **6.2 Senator L.J. Farnham:**

As a proponent of the film industry, I do sympathise with the department somewhat because I am sure their intentions were clear to develop that industry. Would the Chairman agree that perhaps it is time to establish a screen commission properly structured film fund to ensure this sort of thing cannot happen again while allowing the development of this sort of industry?

#### **Deputy T.A. Vallois:**

It is not for P.A.C. to decide on policy or setting up commissions. I would certainly suggest to the Minister for Economic Development that it is something that they consider, particularly because there is an issue with regards to chief officers having to act as political advisers and implementation of policy.

#### **Senator L.J. Farnham:**

I should have been a little bit clearer. I should have asked the Chairman if her committee would be more comfortable with such a structure, but yes, thank you for answering.

#### **6.3 Deputy M. Tadier:**

Following on very much, is the Chairman aware that preparatory work was done by the department to explore the viability of setting up a film commission or some similar body? If so, would she ask for that preparatory work to be made available either to herself or publicly or to States Members so that the film commission idea can be considered on a cost/benefit and otherwise basis?

#### **Deputy T.A. Vallois:**

P.A.C. is not aware of the preparatory work in regards to an actual film commission. However, we are aware that E.D.D. did complete a report on creative industries, which is not publicly available and we have not seen it. In terms of whether that should be considered for the future ... sorry, I am just trying to remember what your question was. I think if we were to go towards a commission - and this is answering back to Senator Farnham's question as well - it would be in our view an appropriate mechanism as long as the correct standards and procedures were put in place, as people would expect. There are members of the public that have addressed Economic Development with regards to setting up a film commission.

#### **6.4 Deputy G.P. Southern:**

Does the Chairman have an opinion about who is responsible for what appeared in the last paragraph of her report to be serious breaches of contract?

#### **Deputy T.A. Vallois:**

We were extremely critical of the contract that E.D.D. fulfilled ... well, put in place, purely because it was set up with a U.K. company and it was signed by the Chief Officer of Economic Development as far as we can see without delegation of authority. With regards to the contract, as far as we can see it is null and void.

#### **6.5 The Deputy of St. Ouen:**

Is P.A.C. aware that the U.K. company that was used in the original film?

**Deputy T.A. Vallois:**

The contract was set out between E.D.D., so therefore the public of Jersey, with Canbedone Limited for the film of Knights of Impossingworth. The film that E.D.D. are currently promoting as being made on the basis of the £200,000 film grant is a company by the name of Ship of Lights Limited, which is a Jersey-registered company, and is called Crystal Island.

**6.6 Senator A.J.H. Maclean:**

Just for clarification, the question about a film commission has been addressed by Economic Development and, in fact, a report was commissioned a few years ago, which KPMG undertook. They identified that probably the most effective way to support a film industry in the Island would be through grant funding. My question specifically to the Chairman is given that all the pre-production activity for the film was undertaken in Jersey and that the P.A.C. is in possession of the specific details, despite what was said in the statement, could the Deputy explain how P.A.C. can justify their findings with regard to in-Island spend?

**Deputy T.A. Vallois:**

Happily so. We did make that statement in our first report last year and when we received the internal audit report it did state in that internal audit report that there was no clear way of evidencing that that money had been spent in-Island. To be able to stand up and say that that money was spent in-Island is wrong. We were advising that there is no clear evidence that that money was spent on-Island and we are unable to prove that and so is Internal Audit.

**6.7 Senator P.F.C. Ozouf:**

I am grateful for the complimentary remarks of the P.A.C. Chair for the Treasury action, but certainly I will be asking questions on this issue. However, if I may ask the Chairman, in a world which is increasingly competitive, where we are, some people say, in a global race for economic activity, does the Chairman accept that the P.A.C.'s report runs the risk of even greater bunker mentality and risk aversion by civil servants that are advising Ministers? Does she accept that there is a balance to be struck between, yes, proper process, but the need to take risks?

**Deputy T.A. Vallois:**

I would suggest the Minister for Treasury and Resources reads our report. It does state in there that we encourage the Civil Service to take risks but as long as the appropriate processes and procedures are in place. The first report identified breaches of financial directions and no delegation of authority to sign a contract. They are clear current procedures within the States of Jersey. Absolutely, we have businessmen on the Public Accounts Committee that are in absolute belief that we should innovate and take risks as long as we do it within an appropriate framework. Unfortunately, our framework is not robust and should be better.

**6.8 The Deputy of Grouville:**

Does the Deputy consider it would be useful if P.A.C. came forward with recommendations in a more general way to put in place checks for a K.Y.C. (Know Your Customer) of all sectors, much the same as the finance industry is required to do in the private sector?

**Deputy T.A. Vallois:**

With regards to due diligence, it is set out under the financial directions and that has been cleared up in terms of between which financial direction should be referred to or not. But

financial directions I think are another issue which the C. and A.G. (Comptroller and Auditor General) is looking at at present. With regards to K.Y.C. in general, I think what the Deputy needs to bear in mind is the States need to get to grips with what they want grants and subsidies to achieve and to do. There are a large amount of legacy issues with regards to grants and subsidies and if you are intending on giving money to a private company and setting up a contractual relationship with that company, then recognising in the financial sector when you are asked for money due diligence is part of the process, is part of the regime. I am not being funny, but this is public money and if we are going to set high standards across the board and gold standards for public service, we should set that for our Civil Service as well.

**6.9 Deputy G.P. Southern:**

Breach of financial directions and absence of delegation sound like very serious matters to me. Does the Chairman feel that heads should roll and, if so, which?

**Deputy T.A. Vallois:**

It is not the P.A.C.'s responsibility to decide whether heads should roll. That is up to the Minister for Economic Development and the Chair of the States Employment Board.

[12:30]

**6.10 Senator A.J.H. Maclean:**

Given that the P.A.C. report makes assertions regarding the change of title of the film project and the implications for the deliverables from the grant, did the Committee make any contact with the film production company to seek to understand the reasons behind the change and whether the commitments entered into were preserved?

**Deputy T.A. Vallois:**

No, because there is a contractual obligation between E.D.D. and Canbedone. So when we contacted the department - because this was about procedures and process, not about whether we wanted a film or not - to find out whether a new contract or obligation had been put in place, we were advised no.

**The Bailiff:**

Very well, I think that brings questions to the Chairman to an end. That completes that matter, so we come to Public Business. Before that, I would just like to make a short statement, if I may. I would have included it obviously under A had I been here at 9.30 a.m.