

# Public Accounts Committee

## Review of the Comptroller and Auditor General's Reports on Jersey Financial Services Commission and Overseas Aid and Notes on States' Aggregate Expenditure

States of Jersey  
States Assembly



États de Jersey  
Assemblée des États

**Presented to the States on 7th June 2007.**



## REPORT

### The Public Accounts Committee

The primary function of the Public Accounts Committee is defined in Standing Orders as the review of reports by the Comptroller and Auditor General regarding –

The audit of the Annual Accounts of the States of Jersey and to report to the States upon any significant issues arising from those reports;

Investigations into the economy, efficiency and effectiveness achieved in the use of resources by the States, States funded bodies, independently audited States bodies (apart from those that are companies owned and controlled by the States), and States aided independent bodies;

The adequacy of corporate governance arrangements within the States, States funded bodies, independently audited States bodies, and States aided independent bodies,

and to assess whether public funds have been applied for the purpose intended and whether extravagance and waste are being eradicated and sound financial practices applied throughout the administration of the States.

The Public Accounts Committee may also examine issues, other than those arising from the reports of the Comptroller and Auditor General, from time to time.

The Public Accounts Committee represents a specialised area of scrutiny. Scrutiny examines policy whereas the Public Accounts Committee examines the use of States' resources in the furtherance of those policies. Consequently initial enquiries are made of Chief Officers rather than Ministers. This is not to say that enquiries may not be made of Ministers should the reports and recommendations of the Public Accounts Committee be ignored.

The work of the Public Accounts Committee is ongoing rather than on a one-off basis and the Committee will return to topics previously examined in order to evaluate whether recommendations have been followed or procedures improved. If such a follow-up is unsatisfactory then the Committee may decide to hold further public hearings in order to identify the reasons for the lack of progress.

The current membership of the Public Accounts Committee consists of –

#### States Members

Deputy Sarah Ferguson of St. Brelade (Chairman)

#### Independent Members

Deputy James Reed of St. Ouen (ViceChairman)  
Senator James Perchard  
Connétable Tom du Feu of St. Peter  
Connétable Dan Murphy of Grouville  
Deputy Alan Breckon of St. Saviour

Mr. Tony Grimes  
Advocate Alex Ohlsson  
Mr. Chris Evans  
Mr. Roger Bignell  
Mr. Martin Magee

## **REPORT**

The Public Accounts Committee has reviewed the Comptroller and Auditor General's reports on the Overseas Aid Commission, the Jersey Financial Services Commission and his notes on States' Aggregate Expenditure.

Whilst the Public Accounts Committee has decided not to hold hearings relating to these reports at this time, it was felt that it would be appropriate for it to make comments on these reports.

### **Overseas Aid Commission**

The Public Accounts Committee concurs with the view of the Comptroller and Auditor General that it is unsatisfactory for such a significant amount of expenditure to fall outside the normal arrangements for managing public finance.

It is accepted that an independent approach should be taken to administering such funds. In particular, the Public Accounts Committee accepts that the donations should not be subject to any form of political bias. Equally, it is unacceptable for proper oversight not to be in place in accordance with the States' Financial Directions.

It is clear from the analysis that there is a conflict between the Public Finances Law and the Law which created the Commission. The Public Accounts Committee is at a loss to understand why this was not identified during the draft stages of the Law. Whilst the States are required to review a law before it is passed, it is expected that such conflicts would be identified before a proposition is lodged with the Assembly.

It is not the place of the Public Accounts Committee to suggest which of the options suggested by the Comptroller and Auditor General are appropriate. This is more properly the task of the States Officers and the Commission. It is, however, essential that a solution is found and the Committee will keep a watching brief on developments.

## **Comments on Report of the Comptroller and Auditor General on the Jersey Financial Services Commission**

Given the increasing demands on the Jersey Financial Services Commission (“JFSC”), the Public Accounts Committee concurs with the Comptroller and Auditor General’s view that it is unlikely that costs will reduce. The JFSC is currently understaffed and this needs to be addressed with some urgency so they are able to prepare for and host the IMF Review in 2008.

The report identifies areas for improvement and the Public Accounts Committee’s view is that high on the list of priorities must be the alignment of the Strategic Plan with the Operational Management Plan, without which there must be doubts as to whether the Commission can deliver a cohesive, coherent and focussed service. In addition to this the Commission needs to define and deliver an effective IT Strategy.

It is appropriate that the Commission demonstrates a commitment to these two issues and that progress is visible to government and the financial services sector.

The Public Accounts Committee compliments the significant contribution of the JFSC in enhancing Jersey’s international reputation and the growing acceptance of the Island as a member of the International Financial Community.

The progress we have witnessed is a testimony to the Commission, its staff and the Jersey financial services sector, without whose support, both financially and intellectually, this could not have been achieved.

It is in the context of preserving support from the industry, the public of Jersey and Government that the Public Accounts Committee would encourage the JFSC to ensure that there is relevant, informative and effective communication with all these “stakeholders”. The JFSC should seek to create more awareness with its stakeholders as to its function relative to the economic wellbeing of Jersey and the impact this has on the lives of the Jersey public.

In particular, continued engagement with the financial services sector, who are their paymasters, is essential. The JFSC need to continually demonstrate and evidence Value for Money and to create an environment which encourages the Industry to support willingly the endeavours of the JFSC in ensuring the sustainability of this important economic sector for the benefit of the public of Jersey and those businesses who choose to make Jersey their base.

## **Notes on States' Aggregate Expenditure**

The notes of the Comptroller and Auditor General dovetail with the concern of the Public Accounts Committee that the States have found it extremely difficult to control expenditure and work within allocated budgets. Given that there are no clear comparatives in the accounts and given that budgets have in some cases been supplemented by carry forwards and drawings from Special Funds, it is not clear that Departments themselves have been sufficiently aware of the implications of their policies to be able to control their spending.

Public expectation is that if savings are made, there should be a corresponding reduction in spending. Savings identified to date, the full detail of which has not yet been published, have already been earmarked for spending in other sectors. From the point of the public, there does not appear to have been any overall financial benefit linked to an increase in efficiency and lowering of costs in running the public sector.

The 2007 Business Plan suggests that: “. . . there may be limited scope for delivering further major efficiency savings”. This suggests a mindset that can only consider efficiency savings as finite events at a specific time and, once identified, no further action need be taken. The Public Accounts Committee was dismayed to see that this philosophy may still exist as the drive to efficiency should be an ongoing process for any organisation. The programme of review by certain assistant ministers is welcomed by the Committee and we look forward to seeing the results.

At the moment, the economy is buoyant and it is precisely at this point in the cycle that there must be a restraint on spending and consolidation of reserves to act as a buffer towards any downturn.