

STATES OF JERSEY



FINANCIAL DIRECTIONS (P.A.C.2/2015): RESPONSE OF CHIEF OFFICERS

Presented to the States on 1st October 2015
by the Public Accounts Committee

STATES GREFFE

**FINANCIAL DIRECTIONS (P.A.C.2/2015): RESPONSE OF
CHIEF OFFICERS**

Departmental Response to: P.A.C.2/2015
Response required by: 17th September 2015
Review title: Financial Directions

INTRODUCTION

The Chief Executive and Treasurer of the States welcome the opportunity to update the Public Accounts Committee and the Comptroller and Auditor General with the important work that is being taken forward on governance matters.

RECOMMENDATIONS

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1	The Chief Executive should ensure that all future departmental responses to PAC reports include specific timescales for implementation of accepted recommendations, together with confirmation of the Accounting Officer with responsibility for overseeing implementation.	CMD	Accept	This recommendation is agreed. <i>Responsibility: Chief Executive.</i>	Immediate.
2	The Treasury should rework Financial Directions on the basis of a principles-based assessment and with due regard to best practice in comparable jurisdictions and/or medium-sized businesses.	T&R	Accept	The Treasury has researched both policy documents and individual financial regulations from other comparable organisations. A Financial Governance Framework document is being drafted, together with a draft Financial Direction (States Fees and Charges) in a new format. These 2 documents have been discussed with departmental Finance Directors. Once fully complete, the documents will be discussed with Chief Officers, the Finance Advisory Board and budget holders.	Framework and first Financial Direction in new format to be issued by 31st December 2015.

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				<p>The target previously provided to the Committee for issue of all remaining Financial Directions in the new format was the end of December 2016. Progress has been good and, with the team responsible now fully staffed, full revision and re-issue is now anticipated to be achieved well in advance of that date.</p> <p><i>Responsibility: Treasurer of the States.</i></p>	
3	<p>The Treasurer of the States, acting in consultation with the Director of Human Resources, should revisit the executive response to Recommendation 6 of the C&AG's report R.121/2014 and ensure –</p> <p>(a) that proportionate training arrangements for all non-finance managers covering the basis for and the requirements of Financial Directions are in place by 2016, and</p> <p>(b) that, with reference to Recommendation 4 of this report, existing arrangements to communicate to both finance and non-finance managers across the organisation any changes to Financial Directions are fully evaluated and improved as necessary.</p>	T&R/ CMD	Accept	<p>Discussion has taken place with departmental Finance Directors on the delivery of training to budget holders and other non-finance staff in respect of the proposed changes to Financial Directions. Once fully complete, training proposals will be discussed with Chief Officers, the Finance Advisory Board and budget holders.</p> <p><i>Responsibility: Treasurer of the States.</i></p>	<p>The training and comms plan will be finalised by 31st December 2015. Delivery will commence in the first quarter of 2016 and will then continue on an ongoing basis.</p>

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4	The Treasurer of the States should oversee the identification, procurement and implementation of a suitable platform during 2015 to facilitate effective updating, navigation, searching and cross-referencing of Financial Directions.	T&R	Accept (system already available)	SharePoint is the States' platform for the publication of internal and external information. Publication of the new Financial Directions on MySpace (the States' intranet) will make full use of facilities such as the definition of keywords to ensure information is easier to find.	System already available.
5	The Treasurer of the States should ensure that Lean methodology is suitably applied within the project plan to rework Financial Directions.	T&R	Accept in principle	Lean principles, as relevant, will be used in considering the design of the new Financial Directions. For example, the users of Financial Directions are actively involved in this work, and we will look to remove waste from the process. <i>Responsibility: Treasurer of the States.</i>	Lean principles already being applied.
6	The Treasurer of the States, in conjunction with the Corporate Management Board, should ensure in the earliest possible course that requirements for record-keeping across the organisation are aligned with the mandatory requirements of Financial Directions and that relevant staff benefit from appropriate training in this regard.	T&R	Accept	The draft Financial Governance Framework will set out not only those areas of risk which will be addressed by Financial Directions, but also those areas which will be addressed in a different way. Records management is considered to be best addressed outside of Financial Directions as part of a corporate governance framework which encompasses other key areas such as information security, HR directions and Health and Safety. Inconsistencies currently in existence will be removed. <i>Responsibility: Chief Executive.</i>	Corporate retention standards to be published by 31st December 2015.

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7	The Chief Executive and the Treasurer of the States should ensure that any findings of the forthcoming Internal Audit report on the Port Galôts scheme that reveal breaches of or flaws within Financial Directions are acted on promptly and that any measures needed to regularise the long-standing Sea Cadets relocation project are recommended to relevant Ministers as soon as possible.	T&R/ CMD	Accept need to action any changes	If any recommendations are made for improvements to Financial Directions, these will be acted upon promptly. The Sea Cadets relocation project requires discussion at Ministerial level. <i>Responsibility: Treasurer of the States to action any changes recommended to Financial Directions.</i>	Changes needed to FDs within 6 weeks of receipt of Internal Audit report.
8	The Chief Executive, in consultation with the Treasurer of the States and the Director of Information Services, should report back to the P.A.C. before the end of 2015, summarising all steps taken to automate controls to assist in ensuring compliance with Financial Directions efficiently.	T&R/ CMD	Accept	The control environment is aimed at being holistic to protect the States and not treated individually. Therefore where there are issues new Financial Directions should not be introduced for specific issues. For example if there is a perceived issue with professional services a Financial Direction should not be written specifically for that, but the procurement controls should be reviewed to ensure professional services are controlled. Supply Jersey is a good example of Financial Direction and system working together to cover all controls. The controls built into Supply Jersey support best practice procurement and the solution has been designed to control expenditure at a number of points – <ul style="list-style-type: none"> • Access to certain catalogues and views of information • Identification of corporate and departmental catalogues – product line item detail showing agreed rates. The business model has 3 levels of control	Report by 31st December 2015.

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				<p>and the introduction of the “buyer” role requires non-catalogue items to be approved before financial approval and prior to an order being placed.</p> <p>Supplier registration and on boarding are controlled by Procurement to ensure that appropriate suppliers are given access.</p> <p>Purchase orders are required for all appropriate spend leading towards “no purchase order no payment”.</p> <p>The current procurement of systems approach is to define requirements based on the best practices embedded in the systems, rather than attempt to tailor them to fit our policies. The HR systems replacement is an example of this where policies will be reviewed and updated as part of the development phase of the implementation.</p> <p>Processes are also being standardised where identified, for example card payments, utility bills, approval of payments, booking of travel, and reconciliation are being reviewed next. Where possible automating of the transactional element is done and coding is built in to reduce the opportunity for human error. This gives more time to review and analyse the information, rather than spend time processing.</p> <p><i>Responsibility: Chief Executive.</i></p>	
9	The Chief Executive and the Director of Information Services should review the departmental response to Recommendation 1 of the C&AG’s report R.121/2014 with reference to the C&AG’s recent report on Information Security and report to the P.A.C. before 31st December 2015	CMD	Accept	The draft Financial Governance Framework will set out not only those areas of risk which will be addressed by Financial Directions, but also those areas which will be addressed in a different way. Records management is considered to be best addressed outside of Financial Directions as part of a corporate governance framework which encompasses other key areas such as information security, HR directions and Health and Safety. The responsibility for taking forward the design and publication of directions in these other areas lies with the Chief Executive.	Framework and first Financial Direction in new format to be issued by 31st December 2015 Chief Executive to report to P.A.C. on Information Security by

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	outlining either – (a) the programme of work being undertaken to implement Recommendation 1 of R.121/2014 in respect of controls on information management, or (b) why existing arrangements are deemed sufficient.			<i>Responsibility: Chief Executive.</i>	31st December 2015.

CONCLUSION

All of the Committee's recommendations are accepted.

N.B. The Public Accounts Committee reserves the right to append comments to departmental responses it receives before it presents those responses to the States Assembly. Any such comments will be kept entirely separate from the text of the departmental response, which will be presented without amendment.