

States of Jersey
States Assembly



États de Jersey
Assemblée des États

Public Accounts Committee



Travel and Accommodation Expenses Review

Presented to the States on 10th November 2016
P.A.C. 2/2016

Public Accounts Committee - Travel and Accommodation Expenses

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1 Terms of Reference (Travel and Expenses)

Financial Direction 5.7 lays out the terms for expenditure on States travel and accommodation and the States employees' Code of Conduct indicates that staff should exercise prudence when planning trips.

The PAC will review:

1. Whether the travel and accommodation policy (Financial Direction 5.7) had been adhered to in terms of the process being followed when signed off by the relevant Accounting Officer.
2. How value for money had been established before embarking on the trip and/or expenses of over £500 had been incurred.
3. How waste and extravagance were avoided and prudence was imposed, when spending relatively large sums of public money.
4. Whether the monies spent were considered to be justified in the spirit of the guidelines and code of practice/conduct when spent.
5. How follow-up value-for-money/cost-benefit analyses are undertaken to ensure stringent probative processes are carried out before committing to further expenditure.

2 Chairman's Foreword

The use of public money requires the application of the highest levels of governance and propriety. Hence, strict codes of conduct and financial directions for public sector employees exist.

The PAC understands that the cost of States officers' travel and accommodation expenses accounts for a fraction of the overall budget, and it also accepts that travel is undertaken for a variety of legitimate purposes. Nevertheless, it is in the public interest to investigate and determine whether there is compliance with the Code of Conduct and the Financial Directions.

The Public Accounts Committee (PAC) is a committee of the States Assembly whose primary purpose is to hold the Executive to account. It reports on significant issues arising from investigations and reviews into whether public funds have been applied for the purpose intended by the States, whether any extravagance waste or inappropriate use of public funds has occurred, and whether sound financial practices are being applied throughout the public sector.

The Chief Ministers Department (CMD) conducted its own review into travel and accommodation expenditure and presented its findings to the PAC in June 2016. Within the report it was stated that the:

"...investigation had uncovered no widespread misuse of procedures but had identified a number of areas where improvements can and should be made"

The PAC agrees that there has not been widespread misuse, however it has become clear that there is significant variation in the way departments apply governance procedures, from the very stringent and prudent processes adopted by departments such as the States of Jersey Police and Health and Social Services, to others such as the CMD itself, which by the Chief Executive's own admission had not complied with Financial Directions, "to the absolute letter".

The PAC firmly believes the investigation did not go far enough to identify or highlight the instances of blatant disregard for the spirit of the code of conduct. The culture of some Departments pushes the boundaries of what the public would consider acceptable conduct. The PAC explored Chief Officers' attitudes to the guiding principles of the Code of Conduct, namely:

"Does the action feel right? Could it be justified to those outside the States? Could I be compromised in my dealings with others as a result of my intended action? Could such purchases be considered extravagant or wasteful of public resources?"

There is evidence to suggest that endemic within some departments is the belief that because attendance at global networking events leads at least in part to a significant (non-disputed) return of investment to the Island, there does not need to be such stringent application of those principles.

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However, the PAC considers that expensive business-class or fully-flexible tickets are rarely justified, and it believes that little or no attempt was made to seek more cost effective options. The PAC was particularly concerned that in one department, a high-cost itinerary was undertaken on three consecutive years with little or no exploration of real savings. Furthermore, it was shocked to discover that there was no robust policy and procedure in place to redeem individual airline loyalty points accumulated on States business, for the benefit of the public. The most worrying consequence is that this leaves officers vulnerable to accusations of impropriety.

The PAC concludes that in a minority of cases, it is difficult, if not impossible, to justify the expenditure of certain trips, which unfortunately serves to undermine the very hard work by other departments to always act in the best interests of the public. Other departments were mindful that it is taxpayers' money being spent, exemplified by the statement of the Chief of Police:

“We just have a general philosophy in the police that we spend public money as if it were our own and we would not spend anything more in using public money than we would if we were buying it ourselves.”

The PAC, during the course of its review, heard evidence relating to the centralised booking system, HRG. In some cases, the cost of certain high-value trips had been attributed to the system offering those options. Although a thorough evidence-based investigation fell outside the scope of the review, the PAC explored departmental views on the use of the centralised booking system, in particular, whether its purpose to reduce officer time and resources, value for money and a clear audit trail were realised. The PAC was disappointed to discover that the majority of senior officers interviewed had a low opinion of the outsourced centralised booking system, despite admitting they personally had not tested it.

The PAC concluded that, although the system may have faults, it should not be blamed for what remains an officer's duty to secure value for money.

I would like to thank my committee and its officer for their hard work, and I commend all the departments for their considerable cooperation which enabled the undertaking of this review.



Deputy Andrew Lewis

Chairman, Public Accounts Committee

3 Summary of PAC's Key Findings and Recommendations

KEY FINDING 1: There has been no robust and consistent corporate process in place for the approval of high value travel expenses for Chief Officers.

RECOMMENDATION 1: The Chief Executive should establish a principles-based approach to Financial Directions, including travel expenditure, throughout departments.

RECOMMENDATION 2: From January 2017, at a minimum of six-monthly intervals, the Chief Executive should regularly and routinely publish travel expenditure of over £500 of all departments.

KEY FINDING 2: Schemes of delegation vary between departments and allow undue flexibility for interpretation.

KEY FINDING 3: Each department could interpret Financial Directions differently, and a subordinate could sign off expenses of an Accounting Officer.

RECOMMENDATION 3: The Chief Executive and Treasurer should ensure a consistent approach to Schemes of Delegation across the States departments.

RECOMMENDATION 4: The Chief Executive and Treasurer should ensure that in no case are the expenses of a Chief Officer approved by a subordinate.

RECOMMENDATION 5: The Chief Executive should ensure the principles-based approach to Financial Directions and Schemes of Delegation are consistent and compatible with the Code of Conduct.

KEY FINDING 4: There is no system in place to evaluate which officers hold loyalty cards or how personal points accrued on States business can be redeemed for the benefit of the States.

RECOMMENDATION 5: The Chief Executive should introduce a contractual obligation upon officers to disclose if they hold loyalty cards and the number of points accrued on States business.

RECOMMENDATION 6: The Chief Executive and Treasurer should ensure that Financial Directions clearly set out the principles for use of personal loyalty points arising from States business.

KEY FINDING 5: The Chief Executive and some Accounting Officers assert that the high cost of business class and fully flexible tickets, to attend certain events, are justified by the consequential return on investment to the Island.

RECOMMENDATION 7: Rigorous methodology to ensure cost effective travel should be applied consistently throughout departments.

KEY FINDING 6: Most Chief Officers are unaware of the comprehensive States travel insurance policy.

RECOMMENDATION 8: The Chief Executive and the Treasurer should review the cost-effectiveness of current insurance arrangements relating to officer travel.

KEY FINDING 7: The cost benefit analysis of trips varies in consistency and quality, with little evidence of routine challenges to cost or demonstration of value for money.

RECOMMENDATION 9: At corporate level, a transparent methodology for undertaking a cost benefit analysis of high value trips and expenses should be introduced.

KEY FINDING 8: Although many Officers were critical of the centralised booking system, many admitted not using it themselves.

KEY FINDING 9: There is a difference of perception between users and the executive in respect of the centralised booking system.

RECOMMENDATION 10: An officer, possibly in Procurement, should be identified to feed back to HRG and users of the system to initiate a positive learning cycle.

RECOMMENDATION 11: A principles based culture, embodied by the exemplary conduct of senior officers, rather than a prescriptive set of directives should emerge from this review.

4 Process and Evidence

- 4.1 The review process undertaken by Scrutiny Panels and the Public Accounts Committee is guided by the Code of Practice. Having decided on the terms of reference, the scoping documents were approved by the Chairmen's Committee.

Public Hearings with Chief Officers

- 4.2 Public hearings took place on 15th April, 30th June, and 12th July 2016. The Chief Executive, Treasurer of the States, Chief Officers of Education, States of Jersey Police, Community and Constitutional Affairs, Health and Social Services and Economic Development, Sport, Tourism and Culture were asked about their understanding of Financial Directions and the Code of Conduct relating to travel expenditure.
- 4.3 The questions covered the extent of non-compliance with FD (Financial Direction) 5.7 and the employees' Code of Conduct, the centralised booking service, departmental travel and accommodation policy and value for money.

Department Responses

- 4.4 Individual departments were contacted before and after the public hearings and asked for documentary evidence relating to their travel and accommodation policy, schemes of delegation, rates of non-compliance with the current policy and experiences with the centralised booking system. Documented responses and summaries of oral evidence given in response to the recommendations form the substantive body of this report.

5 Introduction

5.1 States departmental travel arrangements were highlighted by the media in February 2016, after it was revealed that approximately £13,000 had been spent for two civil servants to attend a mining conference in Cape Town. The media also highlighted other trips taken by civil servants on States business to such destinations as Beijing, Singapore, Hong Kong, Sao Paulo and New York.

Executive Response

5.2 Shortly after the PAC's decision to review travel and accommodation expenditure was made, the PAC was pleased to note that the Chief Ministers' Department decided to undertake its own review, with similar terms of reference.¹ This was completed in June 2016, and its findings and recommendations are summarised, directly referenced or reproduced throughout this report. The Chief Executive concluded that its own review:

“had not uncovered widespread misuse of procedures (but) has identified a number of areas where improvements can and should be made”²

5.3 The PAC carried out a series of public hearings with Chief Officers (and other Officers charged with signing off travel arrangements and expenses of significant amounts). It also received and analysed supporting documentary evidence, either centrally provided by the Treasury or from individual departments, relating to travel and accommodation costs over £500 in the last three years.

5.4 This formed a comprehensive base upon which to consider the following points:

- (i) Whether the Financial Direction 5.7 and Code of Conduct have been followed;
- (ii) Where they have not been followed, what non-compliance procedure is in place;
- (iii) Whether the Financial Direction, in its present form, is fit for purpose;
- (iv) Whether the centralised booking system provides an efficient, cost effective, audit-friendly service;
- (v) Whether value for money is achieved in undertaking trips abroad.

Current Rules

5.5 Travel costs are currently regulated by:

- (i) the **Public Finances (Jersey) Law 2005**,³ which obliges Accounting Officers (or Chief Officers) to ensure that his or her department is administered in a prudent and economical manner and that its resources are used efficiently and effectively, with proper records kept.
- (ii) **Financial Direction 5.7**: Travel and Accommodation expenditure⁴, which establishes that officers must use the approved travel supplier (HRG) and must travel in economy

¹ Internal Review of Travel Policy -Terms of Reference reproduced in full at Appendix 1.

² Internal Review of Travel Policy, CMD, June 2016.

³Public Finances (Jersey) Law 2005 (Article 38 paraphrased)

⁴ FD 5.7 and Code of Conduct (Appendix to Internal Review) – www.gov.je

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class unless express approval is given, together with an expectation that they are expected to exercise prudence when making travel arrangements; and;

- (iii) The **Code of Conduct for States of Jersey Employees**⁴, which requires employees to submit themselves to 'whatever scrutiny is appropriate to their level of responsibility' and places a responsibility on the officer to adhere to policies and approved practices, and ensure value for money.

⁴ [FD 5.7 and Code of Conduct](http://www.gov.je) – www.gov.je

6 Financial Direction (FD) 5.7

6.1 The PAC investigated whether the travel and accommodation policy (FD 5.7) had been adhered to, what level of non-compliance existed throughout the departments, and what, if any, action was taken, to ensure accountability.

6.2 In respect of flights, FD 5.7 sets out that officers must only travel in economy class unless prior written approval is given in line with the department's Scheme of Delegation or it is in line with a States HR policy. An officer travelling on official States of Jersey business may upgrade their ticket if they pay the difference between the fares. FD 5.7 also lays out terms for expenditure on trips, stating that:

'Preapproval is required in line with departmental schemes of delegation for all travel, including the purpose of the trip, fully flexible tickets for a flight or train journey, flights other than in economy class or wrapping a personal trip around a business trip.'

6.3 In relation to travel and accommodation, a Scheme of Delegation⁵ must include details on who can approve:

- Activities that will result in expenditure on travel and accommodation being incurred ([section 2.1.1](#))
- User set-up on the approved travel management system ([section 2.1.5](#)).
- Authorisation of the purchase of fully flexible tickets for a flight or train journey ([section 2.1.8](#)).
- Travel by business class on flights ([section 2.2.1](#)).

Extent of non-compliance with FD 5.7

6.4 Each year Accounting Officers are required to complete a Governance Statement and Compliance Return. Evidence from the CMD/Treasury was received in April 2016, regarding the extent of non-compliance with FD 5.7 throughout the departments (non-Ministerial departments showed no evidence of non-compliance):

Department	Extent of non-compliance
Economic Development, Tourism, Sport & Culture	35% non-compliance ⁶ . There were 15 business class flights within the department, six of which taken by the Accounting Officer of the Department and therefore not approved by another officer. Technically this is not non-compliance as there was no scheme of delegation above the Accounting Officer for which approval could have been sought. Note – as an interim measure it is mandatory from this point forward for all Accounting Officers to have their long haul (excess of 5 hours) travel authorised by the Chief Executive (or Treasurer) until the travel policy is revised.
Education (Sport and Culture)	Find below the total cost of Travel for Education, Sport & Culture for 2013-15 which includes all amounts (under and over £500). Also noted is the sum of all breaches of Financial Direction (FD) 5.7 Travel & Accommodation

⁵ [www.gov.je/scheme of delegation](http://www.gov.je/scheme-of-delegation)

⁶ The table predates the CMD internal review which concluded that in the absence of a formal authorisation process, the trips were technically not non-compliant.

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Integrated as above)	Description	2015	2014	2013
	Total Travel* (Flights/Accommodation)	£361,134	£325,872	£260,458
	Breaches (£)	£231	£500	£0
	Breaches (%)	00.06%	00.15%	00.00%
Infrastructure	There are a small number of instances whereby expenses (such as rail travel) have had to be purchased on the day of travel using purchase cards. However, most transactions that we have looked at have complied with FD5.7, although the "travel authorisation" forms had not been completed, there are e-mail records of booking requests (and authorisations from managers in the majority of cases).			
Planning and Environment	There are no known instances of non-compliance with FD 5.7.			
Health and Social Services	While HSS has a process in place for staff to report breaches there may be instances which go unreported. On the information available the reported instances of non-compliance constitute less than 1% of all travel transactions.			
Home Affairs	<p>The estimated ratio of non-compliance for all CCA Services equates to approx. 1 in every 145 bookings made (0.47%).</p> <p>Where it has not been feasible to comply with Section 2.1.2 of Financial Direction 5.1, Purchasing of Goods and Services, (Purchasing using an approved corporate contact) or Section 2.1.2 of Financial Direction 5.7, Travel and Accommodation Expenditure (Travel Contract) an exemption has been obtained.</p> <p><u>States of Jersey Police</u> Please refer to CCA answer – data not currently recorded separately but could be provided with some further analysis if required.</p>			
Social Security	<p>The department has low levels of travel expenditure (less than £30k per year, including both on-Island and off-Island expenditure, and amounts relating to travel expenses of consultants or training providers as well as for staff).</p> <p>The department has reviewed travel transactions outside of HRG over £250 and has not found examples of non-compliance.</p>			
Treasury and Resources	The processes for pre-approval of travel are working within the department. There are instances of non-compliance, however there is no substantive widespread non-compliance has been identified and the department is believed to be substantively compliant with the key controls within the financial direction, with the exception monitoring of personal loyalty points. The findings of the internal review into travel costs are awaited.			

6.5 The review of travel policy carried out by the CMD concluded that compliance with Financial Direction 5.7, as with all financial directions, was "generally good" although it listed certain instances where requirements were not followed⁷:

- Documentation of pre-approval of travel was not always rigorous.
- Authorisation had not been documented adequately.
- Some staff did not use HRG.
- Some travel is purchased using Purchase Cards.
- Some bookings had been made very close to the date of travel.
- Personal loyalty points have been accrued
- Travel by Chief Officers had not been authorised independently
- HRG (centralised booking system) had been used to book personal travel for family members (not necessarily in contravention of FD 5.7 but needed to be audited using more accessible and accurate data).

⁷ The Treasury Department advise that the new online pre-authorisation form should prevent most of these issues.

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- Some staff members combined business travel with leisure time (this is not in contravention of FD 5.7 but needed to be better documented).
- 6.6 At a Public Hearing with the PAC, the Chief Executive accepted that Financial Directions were quite clearly set out but admitted that his own department had not complied “to the absolute letter” of FD 5.7:
- “Now, where we have made a mistake... we have not necessarily signed off a particular piece of paper that has given that specific exemption in accordance with the detail that is required.”⁸***
- 6.7 The Chief Officer, Economic Development, Tourism, Sport and Culture, (EDSTC), speaking at a later public hearing⁹, following the internal review carried out by the CMD, defended his department, which had been identified by the media as undertaking expensive trips:
- “As far as travel expenses and accommodation are concerned, I am confident - and I think it has been borne out not just by the overall review, but a specific review that was undertaken in relation to the flights to South Africa - that (we are) compliant with Financial Direction 5.7.”***
- 6.8 He went on to explain that his department’s travel policy, which was signed off by the then Minister of Economic Development in 2012, allowed higher classes of travel for long-haul trips and that the 35% non-compliance of FD 5.7, by his Department, was:
- “...not technically non-compliance, and that is the approval of the Chief Officer’s travel. As Accounting Officer, I have delegated authority for expenditure over the entire (departmental) budget, and at the time of the bookings that have been made to date, there was no process put in place by the Chief Executive for approval of Chief Officer’s travel expenses.”***
- 6.9 The Chief Officer, Community and Constitutional Affairs (CCA) stated that his department’s ratio of non-compliance¹⁰ for all services was one in every 145 bookings, in other words, 0.47 %, all of which were documented and recorded. He gave an example of signing off a recent breach, for an officer embarking on a course¹¹ where the hotel had been booked by Her Majesty’s Revenue and Customs in the U.K., so it was not possible to book through the centralised booking system, HRG.¹²
- 6.10 Similarly, the Chief Officer, States of Jersey Police advised he had 6 examples of non-compliance, all of which had been signed off by him, such as an urgent flight for international crime enquiries or investigative purposes. He cited one example where

⁸ PAC Public Hearing with Chief Executive and others, 15th April 2016

⁹ PAC Public Hearing with Chief Officer EDSTC and Chief Officer, Education, 30th June 2016

¹⁰ PAC Public Hearing with Chief of Police and CO, CCA, 30th June 2016.

¹¹ Treasury and Resources Department later clarified that Procurement have agreed that if a course includes a hotel, then HRG does not need to be used, however value for money must be shown.

¹² Although agreed with Internal Audit, this has not been reflected by updating the current FD and should be subject to exemption. However there is a global understanding that Procurement & IA support this

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savings had been made because the normal HRG booking process had not been followed and a hotel had been procured half-price, as part of a conference¹³ deal.

- 6.11 The Chief Officer, Health and Social Services Department (HSSD) noted that, to date, in the relevant time period, there had been 2100 flights and that breaches accounted for 0.24%. One such breach was due to train tickets bought using a credit card and then reclaimed. Such breaches accounted for less than half a percent of the total numbers of journeys and were monitored carefully. She maintained:

“Our response is to look carefully to see if that is a material breach, in which case obviously appropriate actions would be taken. Where we feel it is a lack of understanding or knowledge of the process, then obviously training is provided and a reminder is provided and all of that is captured in our breach reports.”

Authorisations

- 6.12 The PAC obtained a confidential internal audit report¹⁴ which explored compliance with relevant Financial Directions where travel, accommodation and other relevant expenditure for the 15 month period to 31 March 2014 had not been placed with HRG. The report noted that in certain instances, exemption from the requirement to complete pre-approval travel forms had not been sought from the Treasurer. The Treasurer, when challenged by the PAC on the inconsistency between Departments, in particular with respect to pre-approval authorisations, agreed that it had been envisaged that officers would travel in economy class of flights unless otherwise permitted within the scheme of delegation.

- 6.13 The Chief Officer, HSSD, said that her department had a very rigorous process in place for how staff can book travel:

“Any staff member who wants to apply for business travel - and largely it is our clinicians and our professional staff and it is for training purposes - does go through a very robust process, which includes ...a proper authorisation form, which is then taken to their clinical director or their senior manager (and) signed off as appropriate”¹⁵

- 6.14 The Chief Officer, States of Jersey Police outlined the stringent policy drawn down from the Financial Directive, whereby a travel authorisation form has to be filled in for every journey. Both the CO, CCA and the Chief of Police made the point that they had not travelled beyond the UK for several years, and then only in economy class.

- 6.15 The Chief Officer, EDSTC maintained that, in his department, almost all long-haul travel was booked well in advance, and that short-haul travel underwent the same authorisation process. He admitted that disciplinary proceedings would not take place

¹³ The Treasury and Resources Department agreed that in some instances conferences can be obtained lower than standard hotel rates via HRG, as conference negotiates delegate rates or has onsite accommodation (e.g. nurses / student campuses). HRG are sometimes able to obtain these rates but exemptions should be agreed / recorded which have supporting evidence until FD reflects.

¹⁴ Internal Audit Division F2013-80 Confidential Executive Summary Report – Audit of Compliance with FD 5.7 (and others)

¹⁵ PAC Public Hearing with Chief Officer, HSSD and others, 12th July 2016

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if flights were booked late or the authorisation was sought late, however, he said it would be made clear that this was not acceptable practice:

“The whole process of having the authorisation system set up as it is, is so that people realise that they have to get approval...and warrant that they are not in contravention of the Financial Directions, that they have the budget to cover it, there is the plan there and they sign on that basis and we authorise on that basis.”¹⁶

6.16 The Chief Executive advised that, before the PAC review, signing off Chief Officers' medium to long-haul travel and expenditure had previously been their responsibility:

“In...the vast majority of cases where Chief Officers travel I have always known about it. Have I actually had a piece of paper from them to sign and authorise? No. Because I trust them to consider their travel.”

He explained to the PAC that, since the recent events exposed by the media and the onset of the review, he had put in place an interim measure for signing off Chief Officer's medium to long-haul travel and expenditure:

“while we are in the stage of reviewing our travel policy and creating a new revised travel policy...all accounting officers must ensure they are aware of the travel for their staff where the flight is more than 4 or 5 hours ...if you are travelling U.K. or close Europe then you authorise within your own department. If you are travelling beyond that, which is the longer long-haul flights, then you have to make sure you have got authorisation in place within your department, as the Chief Officer, and as a Chief Officer you have to bring that to me”¹⁷

6.17 The Chief Officers acknowledged that the signing off (by email, online approval form or physical signature) of any travel was now undertaken as a rule.

KEY FINDING 1: There has been no robust and consistent corporate process in place for the approval of high value travel expenses for Chief Officers.

6.18 Prior to the review of the PAC or the internal review of the CMD, although there were approvals for high-value travel across the States, they were not in standardised corporate format, and there was some travel by Chief Officers which had not been authorised formally. The PAC was pleased to see that corrective action was taken and the interim measure whereby Chief Officers had to seek approval from the Chief Executive, or in his absence, from the Treasurer, led in the short-term, to a more consistent approach throughout Departments and allowed the CMB to have a better overview of travel being undertaken.

6.19 However, the Committee wish to urge the CMD to take a longer-term “principles-based” approach, when developing the Financial Directions and instigating new protocols and procedures. It does not wish the departments to become over-burdened with overly specific and “prescriptive” measures, which would undermine responsibility, authority

¹⁶ PAC Public Hearing with Chief Officer EDSTC and Chief Officer, Education, 30th June 2016

¹⁷ Public Hearing with the Chief Executive and others, 15th April 2016

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and trust placed in senior officers. It recommends that travel expenditure is routinely published so that the public can see there is adherence to good practice throughout departments.

RECOMMENDATION 1: The Chief Executive should establish a principles-based approach to Financial Directions, including travel expenditure, throughout departments.

RECOMMENDATION 2: From January 2017, at a minimum of six-monthly intervals, the Chief Executive should regularly and routinely publish travel expenditure of over £500 of all departments.

Schemes of Delegation

6.20 Schemes of delegation (the process by which powers are delegated) must detail what authority has been delegated, and to whom, and the limit placed on that delegation, and must be in accordance with the requirements of the Financial Direction.

6.21 The confidential internal audit report¹⁸ which explored compliance with relevant Financial Directions, noted that in certain instances, some approvals were not in accordance with the Scheme of Delegation and/or subordinates had approved expenditure; and the Schemes of Delegation did not take into account the requirements of current Financial Directions.

6.22 The Treasurer advised the PAC that the Finance Advisory Board, which is the collection of finance directors across the States, had identified that the schemes of delegation were variable across departments, in terms of quality and consistency, were not necessarily fit for purpose in this respect, and that he was working on a 'core template'.¹⁹

6.23 The Chief Officer, EDSTC commented that:

“...because Financial Direction 5.7 references schemes of delegation and the ability for departments to have their own policy considerations, it does allow for there being a differential, which I think is unhelpful. If there was a consistent policy which was an H.R. policy backed by a Financial Direction for the States of Jersey, then there would be no ambiguity.”

6.24 The Chief Executive, in follow-up correspondence²⁰, stated that the new, revised Financial Directions would be more principles based, and departments will then be required to seek formal approval from the Treasurer for their schemes of delegation:

‘...the revised procedures will require pre-authorisation for all estimated costs of a trip, including expenses. For travel by accounting officers this approval will need to be obtained from another accounting officer. Following that initial approval, post-authorisation of individual expense items will follow the approval process laid down in departmental schemes of delegation.’

¹⁸ Internal Audit Division F2013-80 Confidential Executive Summary Report – Audit of Compliance with FD 5.7 (and others)

¹⁹ Public Hearing with the Treasurer and others, 15th April 2016

²⁰ Email from Chief Executive to PAC Officer dated 16th September 2016

KEY FINDING 2: Schemes of delegation vary between departments and allow undue flexibility for interpretation.

- 6.25 The PAC was surprised to discover departmental differences in respect of their approach to schemes of delegation. It considered this had led in the past to undue flexibility and inconsistent application of the FD 5.7. It was also concerned that this could lead, as had been evidenced, to a great disparity between departments in their approach to, and understanding of FD 5.7. For instance, due to an informal (not formally documented) policy of the CMD, the Chief Officer of EDSTC, with other officers, had felt justified in booking fully-flexible and business class tickets alongside other officers in his Department, whilst other Chief Officers had adopted a far more stringent policy.
- 6.26 The PAC welcomes the Chief Executive's assurances that departments will be required to seek formal approval from the Treasurer for their schemes of delegation. It concludes that it does not wish to see unwieldy over-bureaucratic procedures put in place, but rather a corporate mandate to oversee and monitor the schemes to ensure consistency, openness and transparency throughout States Departments.
- 6.27 The confidential internal audit report²¹ which explored compliance with relevant Financial Directions, noted that in certain instances, subordinates had approved expenditure. The PAC further noted that there was no formal corporate policy in relation to appropriate approval lines for purchase cards²² so that occasionally, a subordinate is the only individual appointed to countersign Accounting Officer expenditure. Clarification from the Chief Executive was sought and received by email²³:

'As with all expenditure, departments can allocate specific budgetary responsibility downwards from the accounting officer within their department...These are for departments to draw up. Overall responsibility remains with the accounting officer for the department.'

- 6.28 The PAC was concerned that because each department had been able to interpret the Financial Direction slightly differently and a subordinate could sign off expenses, there was a danger that the officer would feel uncomfortable questioning or refusing the sign-off of expenses for their superior.

KEY FINDING 3: Each Department could interpret Financial Directions differently, and a subordinate could sign off expenses of an Accounting Officer.

- 6.29 However, with the principles-based system to be adopted, the PAC is satisfied that sufficient measures will be put in place to allow for corporate oversight and internal audit routinely monitoring such instances.
- 6.30 The PAC commends the honesty and openness of the Chief Executive, for example, in admitting his Department had not always followed, to the letter, the Financial Direction. It is glad to see the CMD taking action to address the weaknesses identified and considers this to represent behaviour that a learning organisation should adopt.

²¹ Internal Audit Division F2013-80 Confidential Executive Summary Report – Audit of Compliance with FD 5.7 (and others)

²² Further clarification sought of CE by email 15th September and received 16th September 2016.

²³ Further clarification sought of CE by email 15th September and received 16th September 2016

RECOMMENDATION 3: The Chief Executive and Treasurer should ensure a consistent approach to Schemes of Delegation across the States departments.

RECOMMENDATION 4: The Chief Executive and Treasurer should ensure that in no case are the expenses of a Chief Officer approved by a subordinate.

Code of Conduct

6.31 In line with its terms of reference for this review, the PAC also explored Chief Officers' understanding of the Code of Conduct¹, applicable to all employees who work for the States of Jersey. It indicates among other things that staff should exercise prudence when planning trips. An employee should ask himself or herself:

'Is the action I intend to take legal and does it comply with the States policies and approved practices? Does the action feel right? Could it be justified to those outside the States? Could I be compromised in my dealings with others as a result of my intended action? Could such purchases be considered extravagant or wasteful of public resources?'

6.32 The PAC investigated if the Code had been applied in a meaningful way, for instance where staff have advised they could obtain flights cheaper than those offered by the centralised booking system (HRG) and the Chief Officer had acted on that advice in order to secure value for money. The Chief Officer, Education, cited examples:

"On both occasions, it was because members of staff had said we can go an awful lot cheaper, so we have broken the rules and saved a few hundred pounds by saying: "I can take a later flight and go by EasyJet"

6.33 It should be noted that when the substantive body of this report was sent to the stakeholders for comments, officers of CMD argued that changing times of flights was not comparing like-for-like. The PAC was also advised that officers have been instructed to advise HRG and procurement immediately if flights offered were not the lowest (price option). Even if a differential is identified, an individual cannot take it upon themselves to not use a corporate contract.

6.34 However, the PAC maintain that, notwithstanding the need to undertake and document such exceptions, if a significant saving could be made by undertaking an earlier or later flight or flying out the previous day, the officers should be commended on their attempts to save public money.

6.35 The Chief Officer, CCA, advised that he would take any breach of the public sector Code of Conduct very seriously, but that was materially different from minor instances of an inability to comply with a Financial Direction or an override to secure value for public funds. Similarly, the Chief Officer, States of Jersey Police commented that in his department, any breach of the Code of Conduct would be subject to internal police discipline and the Chief Officer, HSSD, stated that officers in her department had spent their careers knowing very well that they were spending taxpayers' money and that there was a high level of cross-checking.

6.36 The Chief Officer, EDSTC, advised that, in respect of the Code of Conduct:

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“...we are not, in the department, wedded to flying British Airways to London...I put out an instruction 2 years ago now that unless there is a very good reason, certainly in the U.K., we should use Premier Inn, and that applies to Ministers as well.”

- 6.37 The PAC was pleased to note that of the Chief Officers questioned, all appeared to have a strong understanding of operating within the spirit of the Code of Conduct.
- 6.38 However, as previously mentioned, within some departments, there appears to be an over-reliance on the **technical** compliance to FD 5.7 rather than adherence to the over-riding principles. The PAC reiterates that a ‘principles-based’ culture, embodied by the exemplary conduct of senior officers, rather than a prescriptive set of directives could and should emerge from this review. The PAC have been greatly impressed by the vast majority of Departments undertaking and authorising travel. While it accepts that there are some officers who travel frequently for legitimate reasons, it urges every officer to undertake careful consideration in respect of the purpose and value for money of each trip.

RECOMMENDATION 5: The Chief Executive should ensure the principles-based approach to Financial Directions and Schemes of Delegation are consistent and compatible with the Code of Conduct.

7. Loyalty Schemes

7.1 FD 5.7 lays out the terms for expenditure on trips, stating that:

“Points must always be accrued to the States of Jersey first. Departments must ensure that procedures appropriate to the extent of travel undertaken are in place for capturing any benefits accrued to staff from staff travel.”

BA On Business

7.2 Since 2000²⁴ the States has been a member of the ‘BA On Business’ scheme where loyalty points can be collected for BA, American Airlines and Iberia flights. The ‘BA On Business’ account is a virtual account designed to be held by companies or corporate entities where the number of points collected depends upon the amount of company expenditure with BA. There are three tiers of spend, and the States of Jersey was in the highest tier with an annual spend exceeding £300,000²⁵

7.3 The ‘BA On Business’ is separate from the BA Executive Club, whereby the States do not hold a physical card but have a membership number which is entered against all BA bookings via HRG (the centralised booking system).²⁶

Redeeming centrally-held Points

7.4 The Chief Executive also advised that because flights were booked through HRG, the points accrued centrally through loyalty schemes, had amounted to approximately 1.5 million points, which would be used for future flights for officers and politicians. However, on questioning the Chief Executive and other officers, it transpired that points had last been redeemed in May 2015.

7.5 Having been advised by the Chief Officer, EDSTC, that his understanding was that the business points collected through central booking were used primarily to offset the cost of ministerial travel, the PAC later asked the Chief Executive for clarification. He advised:

“At one time priority for use of the points was given to business class and international travel but by all travellers not just Ministers. I am not aware on any such current policy...the forthcoming financial direction will improve procedures, and the rate of use has already improved since the review was carried out.”²⁷

7.6 The PAC discovered that, apart from the CMD and Economic Development (now EDSTC) departments, most of the Chief Officers were unaware of the points held centrally and how to redeem them, with some stating that they had not known until the Chief Executive had sent out a memo to remind them a few months earlier.²⁸

²⁴ Source: Review of Travel Policy and Recommendations for Improvement, presented to Council of Ministers June 2016

²⁵ In 2015 – since the review, expenditure has lessened and it is unlikely the States will be in tier three by 2017.

²⁶ BA On Business <https://onbusiness.britishairways.com/web/ba>

²⁷ Letter from Chief Executive to PAC, 25th August 2016

²⁸ Treasury and Resources advised that during HRG training, users were advised about points.

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- 7.7 This led the PAC to conclude that the process for the redemption of points had been poor and many officers had admitted not knowing of the existence of centrally-held points or a central procurement form redeeming flights for free or subsidised travel.

Redeeming personally-held points accrued on States Business

- 7.8 The Financial Direction (5.7) also states officers must not seek to travel with a specific carrier in order to receive benefits personally or select more expensive flights.
- 7.9 During its investigations, the PAC noted that travel on some carriers seemed to occur more frequently than would have been the case if the cheapest option or route were selected, although it accepts there is no comparative evidence retrospectively available. However it seems likely that there were certainly cheaper options for flights and travel than a direct flight from Jersey to the destination, via BA. This led to querying whether certain options such as class of travel were picked so as to maximise points or air miles available on loyalty schemes by individual users.
- 7.10 The Chief Internal Auditor was clear that if anyone were choosing, for example, a particular airline in order to benefit, that would call into question the officer's integrity and would likely construe grounds for disciplinary proceedings.²⁹ The Treasurer did not believe that his colleagues would book certain flights to accrue points but agreed that if one simply removed the points being available, it would remove any question that there is a manipulation:

“I think personal use is a different thing...it brings the possibility of people accusing people of having misused the system... If you cannot benefit yourself then there is no question of you being accused of manipulating the system and altering your travel affairs to maximise your number of points.”

- 7.11 Questioned on how many States Officers hold personal B.A. Gold or Silver cards, the Chief Executive admitted he did not know at that time. In a written response to further questions, the Treasury and Resources Department advised:

‘This has raised Data Protection issues. At present we are unable to ask officers whether they hold cards, as this is data personal to them. The matter will be considered in the report on the internal review.’

- 7.12 The Chief Executive accepted that if an officer was a BA card holder, they would accrue individual points in addition to the points accrued centrally, and the Director of Strategic Procurement also confirmed that the individual would accrue more points for a fully-flexible or more expensive flight (it was established later that a person holding a silver card can accrue 50% more points, whereas a gold card holder can double his or her points on the scheme and there are additional benefits if a traveller is on the Tier 3 scheme). In order to retain the cards, a certain amount of travel has to be undertaken per year.

²⁹ PAC Public Hearing with Treasurer, Director, Strategic Procurement and Chief Internal Auditor, 15th April 2016.

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7.13 Challenged by the PAC as to whether there was a procedure in place to 'capture' those points or ensure they were only used for States business purposes, the Chief Executive admitted that there was no such mechanism in place. The PAC Chairman questioned whether the card-holder/points system may give an incentive to book certain carriers and certain fares at certain times of the year:

Deputy A.D. Lewis:

So you are quite content then that officers that hold Gold cards are not incentivised to use them to book British Airways as a presumption when they can? That is what card is there for, as an incentive. It is a marketing incentive.

Chief Executive:

If the system is giving you a list of options which is: "Cheapest flight by carrier X, most expensive by B.A." and the officer makes a conscious decision to go for the most expensive because it gets more points, then I absolutely agree with you. At the moment, our system gives you that option. Where I think we have got to make some changes is we have to take that default position away.

Deputy A.D. Lewis:

But the officer does not question that then, he does not get that system that says £6,000 and he does not go: "Maybe if I went Emirates, it might be a bit cheaper"?...He just accepts what the system says?

Chief Executive:

That is where I agree with you, I think that is where we do need to change our bit of the system.

Deputy A.D. Lewis:

But surely an Accounting Officer should look at that and say: "This is a lot of money. This is public money. I have a responsibility as an Accounting Officer to question that"?

Chief Executive:

If that has not happened, then it needs to happen in the future, and there is certainly some questions that would be between the officer, whether it is the Accounting Officer or the officer booking it, he is saying to the agent booking for them: "I need the options, not automatically go to what comes out at the top of the list."

Deputy A.D. Lewis:

So a change of culture then in the way that you book it?

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Chief Executive:

Absolutely...I think there is a question as to have we put enough rigour and challenge into the way in which we book some of our flights?³⁰

7.14 The PAC sought further clarification by way of letter to the Chief Executive, following the Public Hearing. It asked him to direct the PAC to the policy which prevented him from asking officers if they had benefitted personally from undertaking business trips or if they own loyalty cards. He responded in the following way³¹:

‘There is no policy which prevents officers from being asked whether they hold gold or silver cards, or whether they have accrued personal loyalty points. However, advice received indicates this is a data protection issue and the information is personal to the individual. Provision of that information could legitimately be refused depending on the circumstances. The new requirements within the financial direction are deemed to be the maximum level of regulation possible to deal with this risk.’

7.15 The Chief Officer, HSSD told the PAC that she had not asked her officers if they held gold or silver cards, but that she held a blue card, as she did not travel very much. She also stated that she did not know how points gained on travel by her officers would be claimed back, but was certain none of her officers would be undertaking certain types of travel to accrue personal points.

7.16 The Chief Officer, Education also advised that staff were uncertain how to remove the points from their own card³² and transfer them to the States account.

“I think that needs to be looked at, either that or we stop using personal phones to upload our tickets on to...around the organisation there would be quite a lot of officers with Avios points which they know are not really theirs and they are not quite sure what to do with them.”

7.17 The Chief Officer, EDSTC (giving evidence at Public Hearing, following the publication of the CMD review) advised that he could not think of an instance whereby people would book flights on particular airlines to gain personal advantage and commented that he would be disappointed if that did happen. He acknowledged that one of the recommendations of the CMD’s review was that all points obtained on personal B.A. (British Airways) cards for States business should be returned to the States for use on other flights, but countered that the BA Avios system would not allow that:

“So we cannot go to HRG and say: “Here are all of my Avios points that I have collected on my trips to London, use those” because they accrue to you personally.”

³⁰ Public Hearing with the Chief Executive and others, 15th April 2016

³¹ Letter from Chief Executive to PAC, dated 25th August 2016

³² The PAC was later advised it is not possible to transfer the points and was provided with the Avios terms and conditions.

KEY FINDING 4: There is no system in place to evaluate which officers hold loyalty cards or how personal points accrued on States business can be redeemed for the benefit of the States.

7.18 The PAC considers that the current policy regarding the retention and use of personal airline loyalty points is weak and open to accusations of misappropriation of personal benefits accrued. It is pleased to note this will be covered by the introduction of a new policy. The PAC recognised that the draft Financial Direction on travel and accommodation which was due to be considered by CMB on 6th September, includes the following:

'Where officers accrue personal loyalty points from business travel they will be expected to make these available for future business travel where there are sufficient points to pay for a business trip. These bookings will need to be made outside of HRG but authorisation must still be sought. Officers who travel more than 12 times in a financial year (or more than 2 international or business class trips) must include any personal points accrued in the gifts and hospitality register for their department.'³³

7.19 However, the PAC was concerned to note that the lack of transparency in disclosing the number of loyalty cards or personal points by officers had been attributed to 'data protection issues'. It considers the real issue to be one of a lack of contractual obligation for officers to supply this information, and concludes that the way to avoid any doubt that business trips are undertaken for personal gain would be to include within a contract that any accrual of personal points gained whilst on States business should be declared on a gifts and hospitality register.

7.20 The PAC concludes that a cross-checking mechanism could be installed into the centralised booking system so that officers would not have to spend undue time tracking their individual accrual of points for States business trips.

RECOMMENDATION 5: The Chief Executive should introduce a contractual obligation upon officers to disclose if they hold loyalty cards and the number of points accrued on States business.

RECOMMENDATION 6: The Chief Executive and Treasurer should ensure that Financial Directions clearly set out the principles for use of personal loyalty points arising from States business.

³³ Letter from Chief Executive to PAC, dated 25th August 2016

8. Travel - costs and benefits

8.1 The PAC accepts that there are a multitude of reasons for travel on States business, including negotiations, promotion of Jersey, training and financial services support. It is important to maintain global and UK links and the PAC was encouraged to see evidence of some officers returning to disseminate results of conferences or other learning programmes. However, it emphasised that the fact this is not always recorded can mean that the spending is criticised.

8.2 The PAC is of the opinion that even though expenditure on travel and accommodation is usually less than one percent of total expenditure, it amounted to over £3 million per year and was therefore significant. In the words of the Chief Executive, although much of the discussion had been around a figure of £539,000 (for overseas travel), it was within the context of £4.69 million spent on flights overall, so:

“we need to look at the £539,000 and we can no doubt make improvement on that and we must ...but then we have got to look at the £4.69 million and say, are we getting best value? Do we need to travel as much?”³⁴

8.3 The PAC posed a series of questions to determine whether due regard was given to value for money when planning and costing trips. It was aware of comments made within the (confidential) Audit of Compliance Executive Summary Report of August 2015, which noted that³⁵ where conflicts arose there was a lack of clarity in respect of the obligations of the Accounting Officers and their delegates to ensure value for money for the department and to use HRG.

8.4 The Chief Executive and Chief Officers were questioned as to whether they tasked departments and individual officers to demonstrate evidence on internal investment or value for money on the cost of overseas visits. The Treasurer was confident that departments would review whether there was any value coming out of previous trips and that he would expect a degree of common sense:

“Is this the best way of delivering? Does it fit in with our aims...Is there a cheaper way of delivering the same results? Could you do it as a group? Could it be brought to the person; the person delivering the training to the Island instead of the other way around? I am sure that (departments) do (that).”

8.5 He agreed that in terms of training, better use could be made of webinars for example, which would decrease the amount of travel to the UK. The Chief Officer, States of Jersey Police advised that his department would often pay for a trainer to come from the U.K. and deliver the training in Jersey:

“...rather than send a dozen officers off to some specialist course and pay them subsistence and travel because it is cheaper to do it that way”.

³⁴ PAC Public Hearing with Chief Executive and others, 15th April 2016

³⁵ Executive Summary Report Confidential – audit of compliance with FD 5.7 and others Report No. F2013-80

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- 8.6 In relation to the recent trip to China, the Chief Executive accepted that a large number of delegates from different sectors of industry went to the promotional visit. He said it had served its purpose, but that he would, in future, look more carefully into who needed to attend. He was also reminded of the South Africa conference³⁶, which was attended by a Minister and two senior officers, and conceded that the number of people travelling on the same trip should be looked at:

“I was personally not doing it before. I was relying on Accounting Officers and departmental officers, who were arranging these trips, to apply some prudence to how many people do we need to send. Looking at that spreadsheet there are a couple of trips I would ask the question, did we need to send that many?... Can we combine 2 trips into one? Do we need to send officers from this department, that department and that department? Can we combine it and make better use?”

- 8.7 The PAC was critical of the way that certain flight reservations were not made significantly in advance to take advantage of the more competitive fares, in contravention of the travel policy. The Chief Executive advised that he would expect a Chief Officer (who is an Accounting Officer) to look at their travel arrangements in their department and, wherever possible, plan and book ahead at the appropriate fare. However, he advised this could be difficult to do, especially when travelling with a Minister:

“...a Minister might have to go off and sign an agreement somewhere. They might have planned a trip but a meeting at the appropriate level has been changed, therefore they have held off for as long as they can until they know the exact details of that ministerial visit. A lot of the visits that take place at ministerial level are sometimes also in conjunction with Jersey Finance and the financial services industry. A lot of those trips do tend to not be confirmed in terms of meeting arrangements until 2 or 3 weeks beforehand, in which case it is sometimes quite difficult to book the trips.”

Business class flights

- 8.8 The PAC pointed out several instances on information made available on spreadsheets, where business class travel had been undertaken. The Chairman asked:

“...33 entries over the last 2 years, it cost the taxpayer £174,473 for 33 flights, of 33 travels, so that goes across the board. Most of them, I would assume by the values, are all business class. Now, do you think that all 33 flights, £174,000, is an exceptional amount?”

- 8.9 The Chief Executive defended it thus:

³⁶ Later commenting on the substantive body of this report, the CO, EDSTC defended the number of officers attending the trip, by contending that it was, ‘...also attended by a large number of Jersey businesses. (this paragraph) implies that the Indaba conference was attended by too many staff. The attendance of a Minister was directly related to a speaking slot at the conference and officers attended to man the Jersey stand and develop inward investment leads. In this context attendance at Indaba was at a lowest possible level.’

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“...when you look at the volume of travel in terms of transactions, since 2012, since we started the new contract, 32,800 flight transactions - that is £4.69 million - in terms of scale and cost that we are really talking about, the vast, vast majority is Jersey/U.K. and a very small proportion is the overseas business travel...465 flights were business class, which is 1 per cent in number and 11 per cent in value. We are talking about a very low proportion in terms of the total number of transactions.”

- 8.10 He argued that the volume of overseas long haul compared to ‘normal’ travel was small in comparative terms, both in volume and cost. He defended the external promotion of Jersey, ‘supporting Jersey Finance, undertaking business in support of Government’s role for growing the economy’ by their ‘huge return on investment’

“(I) defend those flights to the absolute hilt; absolutely critical... If we do not do it then our competitors will do it. ...can I get it down to: “This flight cost X thousand and therefore that promotion won us that much business”? No, of course I cannot.”

- 8.11 The Chief Executive accepted that he had not followed FD 5.7 ‘to the letter’, in particular the stipulation that officers must not select more expensive flights. He accepted it had not been a Council of Ministers’ policy decision to override 5.7 in certain instances, but that his department had made an executive decision:

“...the decision has been taken internally that it is appropriate for those staff to travel business class, hence the volume and the number of flights and business class costs. When we look at the role of those staff, be they Ministers or officers, and we put it in context of what value are they bringing to Jersey on the external promotion of Jersey and the impact it is having to support the financial services industry...we are talking about relatively big numbers in terms of cost of flights, but in terms of value to Jersey, it is making a significant contribution.”³⁷

- 8.12 When challenged by the Chairman of the PAC as to why consideration had not been given to premium economy travel in order to ensure a degree of flexibility without a higher cost, the Chief Executive advised:

“No, I think premium economy is one area we have to examine for the future...But again there is a question about how do you create a travel arrangement that suits those who are travelling ...when the curtain goes up between business and premium economy you cannot go between the two...if I have got a politician sitting in the front and I have an officer sitting in the back they cannot talk to each other for 14 hours”

McKinsey Report

- 8.13 The Chief Executive also cited the McKinsey Report,³⁸ commissioned by the CMD:

³⁷ PAC Public Hearing with Chief Executive and others, 15th April 2016

³⁸ Confidential report commissioned by Jersey Finance Limited.

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“Jersey as a financial services industry is well-represented abroad by Jersey Finance, (but) in many areas where you want to open up new markets many of these markets do want to see the Government ... Ministers are going out and doing their political support for Government but those officers are the absolute linchpin to support our financial services.”

8.14 The PAC later received a private briefing on the McKinsey report by a senior Financial Services Officer. He spoke of how the report related to the need for Government Support when seeking financial business for Jersey³⁹, and justified the cost of officers' travel with the return of inward investment for the Island's financial services.

8.15 The Treasurer also defended business class travel for officers in certain circumstances:

“I think that if you are asking people to travel right to the other side of the world to represent Jersey and do their best for Jersey, you do not get them to come off steorage all the way to China and expect them to do a good job for Jersey. Is it a short-term economy to put them in steorage, for them to get off the plane and do a poor job and then get back on the plane, you might as well have not sent them? ...I think where there is a clear case to be sending people business class...where it is in the best interest for Jersey, if it is the way that you are going to get the revenues that you are looking to get to get the reputation that you are looking to get and it has been delivered through the joint working, then I think there is a good case to be made.”

Chief Officer's Responses

8.16 The Chief Officer, EDSTC asserted that (all) his business travel was justified by the end result:

“...the end is about, from our perspective, generating more income. That is how we see value for money and return on investment. ...the cost of the inputs in this instance, E.D.D. and Locate Jersey are measured in thousands, and people have issues with the individual cost of travel, but the outputs we generate in terms of direct additional tax income are measured in millions, millions... The recent travel down to Indaba, we met with ...a company that has now relocated to Jersey. As a result of that, I can assure you, the taxable income that they will pay, the tax that they will pay, will far outweigh the costs of that trip, in one year.”

8.17 However, the Chief Officer, Education advised that his department's policy was that, even on long-haul flights, they always flew in economy class. Having been recently able to access BA 'On Business' points held by the States of Jersey, they had also managed to reduce the cost of a educational trip to China to about £300 per person. Answering a point about flying economy and being fit for work at the end of the journey, he replied

³⁹ PAC meeting 8th August 2016 attended by representative of JFS.

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that they simply travelled a day earlier in order to recover. The Hospital Managing Director confirmed they applied a similar stringent policy:

“If they are going long haul...they would go the day before. If they are going to the U.K. or Europe and a flight can connect you there in time, then they would travel on the same day or certainly home on the same day.”

8.18 The Hospital Managing Director advised that the Health Department had undertaken 977 study days (worldwide) in 2015, and that no business class or premium ticket had been allowed:

“We have always sought staff to make their own payment arrangements if they wanted an upgraded flight or if they wanted upgraded accommodation. ...We certainly would never dream of doing a local flight as business class.”

8.19 When the Chief Officer, EDSTC was asked why he could not make similar arrangements in order to keep costs down and was shown a direct comparison of flights to China undertaken by Education (circa £1000) and his Department (circa £4,500), he replied:

“I think all of the trips that we have taken to Beijing have been accompanying a Minister and therefore we have flown with the Minister in business class. I do not think there is an example where we have looked at going a day earlier and extending the trip in the same way”

8.20 He added that the expense of trips was reviewed for value purposes, and that:

“For the avoidance of any doubt, a member of (my) staff would not dream of flying to the UK in anything other than economy.”

8.21 When challenged by the Chairman, and shown evidence of multiple instances of his own and/or another member of his department travelling business class on the Jersey-London leg of a longer trip, he clarified the discrepancy:

“That is because of the fare structure and that there is no cost differential associated with it... because essentially the cost of the Jersey to London leg is included in the overall price (of the trip).”

Fully flexible tickets

8.22 The Treasurer agreed that with the PAC Chairman that there was too much travel on fully flexible tickets and better planning should have taken place: ⁴⁰

“I share your view ...a flight that costs £2,000, if you had had to cancel it move it, it would have cost £2,000 and it would still come in less than if you are doing it for the fully flexible ticket...I share your concern on fully flexible”

⁴⁰ PAC Public Hearing with Treasurer and others, 15th April, 2016

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- 8.23 The Chief Officer, EDSTC commented that his department used fully flexible tickets, because:

“for the majority of flights that we undertake - and we do not undertake that many long-haul flights, although sometimes people would have you believe that we do - When we are going to the events such as the mining conference, where Jersey has a very significant representation, obviously that conference is scheduled every year and we make initial bookings based on that both for hotels and cars and flights some time in advance. What has happened in the past...we have to cancel the flights... If we had not had fully flexible flights, that money would have been lost...it is prudent to do that, particularly when you have got what is going to be a high-cost flight anyway... In the case of the recent flights to Cape Town, we were presented with 2 quotes, one for a fully flexible fare, one for a business class fare. The price differential between the 2 was £400. Over the course of the last 3 years, because of the fact we had booked a long time ahead and we had to cancel quite a lot of flights, the fact that we have fully flexible flights meant that we could get a refund of almost £30,000 as a result of cancellations. So we thought it was the prudent thing to do, to take the fully flexible booking at that point.”

- 8.24 When challenged on whether he had undertaken a comparison of what it would have cost if he had booked non-flexible fares and/or the cheapest possible fares and how that would relate to the suggested savings of nearly £30,000, the Chief Officer replied:

“As I say, we are mandated to use the HRG. system⁴¹. We ask the HRG. system: “What is the cost of flying from A to B on a particular date?” and we take what comes out of that, in the main, the lowest fare that is quoted that is consistent with our travel policy, consistent with the scheme of delegation, consistent with the Financial Direction. That is what we do. These are examples where flights down to Cape Town and flights to the Far East in business class, which is consistent with policy in the scheme of delegation, are expensive. If, as a result of what has happened in the past, those were cancelled and they were not fully flexible, all of that money would be lost. Now, you could say: “Okay, the States has effectively self-insured against that” but the money would still have been lost and would have come off our bottom line and the travel would not have been undertaken.”

- 8.25 When challenged on why savings were not made by, for example, changing route or a hub transfer, or whether the guidance notes for users of the system were adequate, the Chief Executive told the PAC:

“...the way our system is set up it gives you that Jersey link all the way through so it does not necessarily take you through those opportunities

⁴¹ Response from the T&R Department later clarified: Assumption that HRG portal is used in isolation for quotations where in reality the Classic Team are approached for a quotation via email or telephone. A quote is provided on what has been requested by officers. Measures to prevent future occurrences of officers requests being too specific are addressed in the new FD.

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for hub transfers. What we have got to do in the future is look at, and it could be how we administer the system is, say, we need to understand, what is the potential of London to hub point, hub point to destination? What is the cost? What is the value? Then equally, what is the risk?"

- 8.26 The Chief Executive advised that if the system changed, for instance if a 'Jersey to London leg' of a journey was taken care of separately, then there could be a risk with cancellation charges:

"the level of cancellation change that would mean we lose that leg of the ticket, because those tickets are ...depending where we are going... a couple of thousand pounds plus...then, not only have we lost the cost of that flight, we are then there on the day and we need to get someone out to X, so no longer have you got cheap flights because you could book them 3 months ago, you are booking full fare, which could be double what we originally booked."

- 8.27 On being questioned why officers could not simply book the cheapest flight option available to them, he advised:

"you book the cheapest ticket possible and that is value for money, but then you apply the risk factor that if you have booked that cheapest ticket possible and you have a delay you do not only have the delay but you lose your entire flight when you could have booked something more expensive that gave you the flexibility to change"

- 8.28 In contrast, the Chief Officer, Education advised his department never used fully flexible tickets, as did the Chief Officer, CCA, although there were some special travel arrangements around deportation of individuals. The Chief of Police was also clear that his department would never use them:

"We just have a general philosophy in the police that we spend public money as if it were our own and we would not spend anything more in using public money than we would if we were buying it ourselves."

KEY FINDING 5: The Chief Executive and some Accounting Officers assert that the high cost of business class and fully flexible tickets, to attend certain events, are justified by the consequential return on investment to the Island.

- 8.29 The PAC wish to emphasise that it does not have any issue with officers needing to travel *per se*, in order to attract visitors or investors to the Island. However, States Departments are publicly funded bodies, which should always have at the forefront of their mind, value for money for the taxpayer.

- 8.30 The PAC does not accept that there is a tangible link between travelling in business class or using fully-flexible tickets and a consequential return on investment. All officers can and should procure cheaper options, wherever possible, such as premium class travel, flying a day or night before a conference or travelling via a hub airport instead of

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taking a direct flight. It is pleased to note that most Departments have instigated these common-sense procedures to secure cost-effective travel.

8.31 The PAC did not accept the example given by the Chief Officer EDSTC of a cost differential of £400 between a fully flexible and a business class ticket, nor his assertion that £30,000 was potentially saved in cancellation fees (because flights were later changed) as realistic value for money cost comparisons. The PAC also considers that he was unduly critical of the centralised booking system but admitted to not using it himself.

8.32 He admitted that he had not considered using other ways of saving money on a trip, for example flying out a day earlier or flying via a hub rather than taking a direct flight. Furthermore, the controversial South African conference trip had been attended for three years previously and the PAC concludes there had been ample opportunities to minimise costs of such a trip, known and planned for several months in advance.

RECOMMENDATION 7: Rigorous methodology to ensure cost effective travel should be applied consistently throughout departments.

Insurance Policies

8.33 The PAC challenged further on the idea that fully flexible tickets were a necessary purchase in order to ensure a return of fee if the booking had to be cancelled. It queried the Chief Officers on their knowledge of the insurance policies held overall by the States, for officers travelling.

8.34 The Chief Officer, EDSTC thought that there was a health-related cover but that the policy would not cover cancellations of travel arrangements, and that it had never been suggested to him. The Chief Officer, Education agreed and other Chief Officers were similarly unaware of the details of the insurance held on behalf of the States, although they countered that they did not travel very much and would not therefore, be involved in its minutiae.

8.35 The Treasury supplied the PAC with a confidential copy of the comprehensive travel insurance for States of Jersey Officers. It has agreed not to publish the private contract details but notes that it is comprehensive, covering cancellation, curtailment and change of itinerary, plus travel delays.

KEY FINDING 6: Most Chief Officers are unaware of the comprehensive States travel insurance policy.

8.36 The PAC understands that not all Chief Officers would be very familiar with the States comprehensive insurance policy. It accepts that the insurance may not provide the same protection against delay as through/code-share ticketing where the carrier will seek to place passengers on the next flight or with an alternative carrier at no additional cost to the carrier. Nor has the PAC evaluated the cost of booking journey 'legs' separately or the potential impact of increased claims on insurance premia.⁴² However, it does

⁴² The PAC accepts that if claims increased on the current insurance policy, premiums may also increase. It recommends a best value analysis is undertaken.

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consider that a well-travelled officer should have at least been aware of the policy, and recommends that the Chief Executive investigate the cost of 'self-insurance' as a way of reducing costs.

RECOMMENDATION 8: The Chief Executive and the Treasurer should review the cost-effectiveness of current insurance arrangements relating to officer travel.

Financial Services and External Relations Advisory Group (FERAG)

8.37 The Chief Executive advised that FERAG, which included the Chief Minister, Financial Services, Assistant Chief Minister, Minister for External Relations, Minister for Economic Development and associated officers, had recently introduced a timetable setting out proposed trips and establishing a programme of peer reviewing. He clarified its relatively new reporting role:

“...travel sits within the reporting that goes up to FERAG...which allows a degree of challenge to take place and some scrutiny...as to how many people are going in which departments and why they do it...understanding who is going, and why we are going, on those trips and, therefore, improving that expenditure.”

8.38 The Chief Officer, EDSTC commented that his department's travel budget had reduced from £136,000 in 2013 to £74,000 in 2015 but they had continued to deliver “at a very significant level”:

“The incremental tax yield from Locate Jersey's activity over the last 2 years is certainly in the order of about £7 million recurring, and £9 million in terms of one-off receipts. That is ...a pretty good return on investment... and we both plan for, justify, account for and post-event analyse all of the international and domestic travel that we undertake.”

8.39 The PAC was impressed that the travel budget of EDSTC had reduced significantly over three years. However if there is no indication that inward investment has been adversely affected by such a reduction, it queries why such cost effective methods of travel procurement were not vigorously deployed before. The PAC considers there to be inconsistency between departments in the way they evaluate the cost and benefit of undertaking trips, with some departments effecting very stringent methods to evaluate whether it is worth undertaking, and others adopting a retrospective approach, based on the perceived level of return investment.

KEY FINDING 7: The cost benefit analysis of trips varies in consistency and quality, with little evidence of routine challenges to cost or demonstration of value for money.

8.40 The PAC is pleased to note that the Chief Executive accepts that, in future, more stringent monitoring of trips would have to take place:

“...clearly we need to make sure that there is some form of monitoring of how we are operating. It is about the relationship between the organisation and the principles behind why we are travelling, what we are booking, and where we are going. Making sure we get that right. “

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8.41 The PAC welcomes the oversight of FERAG together with the Chief Executive's in-principle agreement to publish travel information to affect transparency, but notes the system is not currently set up to provide reconciled and therefore, accurate, information. It considers that an effective way forward would be to routinely reconcile travel data, and publish at regular intervals.

RECOMMENDATION 9: At corporate level, a transparent methodology for undertaking a cost benefit analysis of high value trips and expenses should be introduced.

8.42 The PAC is pleased to note that the Chief Executive accepts that, in future, more stringent monitoring of trips would have to take place:

“...clearly we need to make sure that there is some form of monitoring of how we are operating. It is about the relationship between the organisation and the principles behind why we are travelling, what we are booking, and where we are going. Making sure we get that right.”

9 Centralised Booking system - HRG

9.1 Prior to 2008 travel expenditure was carried out at a departmental level without corporate coordination / management primarily utilising leisure travel websites directly to book traveller requirements.⁴³ A trial booking scheme in 2008, using a travel management company (TMC), successfully delivered cash and process efficiencies and in 2012 a separate options appraisal and baselining exercise was undertaken as part of the CSR programme. The States decided to form a partnering relationship with a TMC who could demonstrate the following:

- Savings in travel expenditure across the departments.
- Meeting travel requirements efficiently and cost effectively, and the value clearly demonstrated.
- Implementation and development of a fit for purpose, corporate travel policy
- Continuous improvement and value for money for the management of travel expenditure.

HRG

9.2 The contract was tendered and awarded to the Hogg Robinson Group (HRG) in July 2012. It was extended in accordance with the terms in July 2014 for a further 3 years, expiring July 2017.

9.3 During this review, criticisms were levelled at the centralised booking system (HRG) which the PAC were keen to investigate. It wanted to understand if the system installed had reduced cost, back office administration time and a better audit trail for the States departments. It noted that although this area of investigation was not covered specifically in its terms of reference, the PAC had heard from the Chief Executive in explaining why certain travel costs were high.⁴⁴

“...the system will ...pretty much automatically divert to our national carrier, B.A., because they are the ones who give us that through route and will give us the protection of if we miss or have to change that flight...and give us the points...”⁴⁵

9.4 Later he dismissed the idea that there were incentives for users to choose the carriers which would accrue points:

“I am saying our system is what is causing it, not our staff. ..To immediately infer that it is our officers who are making the decision, there might be some of that, but when you look at the system...you put in that

⁴³ Internal Treasury paper (confidential) relating to tender for centralised booking service.

⁴⁴ PAC Public Hearing with Chief Executive and others, 15th April 2016

⁴⁵ It was later clarified by the Treasury and Resources Department that likely reasons for the high cost of the flight to Cape Town included:

- It was a business class/fully flexible ticket
- time of year
- the mining event increased demand
- weekend travel dates are usually preferred by leisure market
- BA was the only carrier offering a direct flight from UK.

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flight route and that is what it comes up with. That is not an officer's fault. If you need to change our system, we will change the system."

The PAC did not accept that it was a system problem which led to the high cost of trips, especially as the officers had admitted to not using the system themselves. It concludes that an intelligent user of the system could and should have sought guidance from HRG as to whether there were more cost-effective ways to attend certain events, especially if they were known about well in advance.

KEY FINDING 8: Although many Officers were critical of the centralised booking system, many admitted not using it themselves.

Reconciliation of data

9.5 Documentation received from the Treasury and Resources Department for the purpose of this review, for instance a list of hotel bookings made on HRG, was extremely difficult to match up to other spreadsheets provided. When asked for an explanation as to how to reconcile the data, the Director, Strategic Procurement, explained that there was no complete system which dealt with the booking and the payments into the finance system, although she considered the system to be good:

"we have got a fairly neat bespoke system which takes the charge from HRG on a monthly basis and drops it into JD Edwards...the element of discrepancy...between the booking and what you see on the booking spreadsheet and what you see on the ledger is possibly the tax position...we are in a lot better position than we were but it is not perfect."

9.6 The review undertaken by the CMD concluded that it had been difficult to extract robust data for their purposes as well as for the PAC. It identified two main reasons:

- 1) Reconciliation of HRG and JDE (JD Edwards system) data was not easy⁴⁶. This may be, for example, because business class travel is booked on HRG but an officer subsequently pays for the upgrade, with the resulting income being shown on JDE.
- 2) Departments code expenditure in different ways within the JDE chart of accounts (the range of codes available). For example travel to a course in the UK could be recorded under travel, training or conferences and courses⁴⁷.

9.7 The Treasurer acknowledged that he was receiving "push backs" from finance teams in terms of the marrying up of the 2 different reports.

User experience

9.8 The Chief Officer, CCA, told the PAC that both negative and positive points regarding the HRG system had been raised with the Corporate Management Board (CMB):

"(There are) benefits in terms of centralised procurement and ...being able to get a complete picture across the organisation ...on the other hand,

⁴⁶ A new system has now been developed whereby the online authorisation form generates a unique reference number which can be used to collate all elements of the cost of a trip.

⁴⁷ It should be noted this is not a fault of the HRG system.

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there are some frustrations about whether you are always getting the cheapest and best value for money as a result of rules built into the system or whether (it) allows you to do what you are trying to achieve as a public servant.”

- 9.9 The Chief Officer of Education recounted an incident whereby he had been quoted £300 by HRG to hire a car for a day in the UK but had chosen to use a special deal elsewhere for £12 and simply not claimed it back on expenses, therefore not having to declare a breach of the policy. He did, however note that if challenges were made to the HRG team on booking cheaper trips, the team would often try to match the lower fare or advise why they could not. He also advised that his department had often successfully challenged HRG to provide a more cost-effective flight ticket.
- 9.10 The Chief Officer, HSSD, also advised that she did not book her own travel, but the authorisation processes were stringent. Her understanding of HRG was that it was “quite a complex and clunky system at times”, used by several PAs and others, and she was hoping to form a small team of “super-users” who would book all the travel.
- 9.11 When questioned whether she could create “exceptions” in the system to allow for preferential rates she countered that there would have to be a raft of exceptions and then administration time and resource would also rise:

“I think some of the challenges from HRG are valid in terms of us making sure that we do have properly trained staff doing the right things at the right time, and if we have members of staff who do breach they have to be given proper information, held to account or (undertake) training”

- 9.12 The Chief of Police, although not a frequent traveller, told the PAC that if he challenged HRG on price of flights, the team would try to pursue the cheaper alternative. He added that he understood the benefits of a centralised procurement arrangement which should produce savings across all departments of the States of Jersey, even if, in individual cases, it appeared not to.
- 9.13 The Chief Officer, EDTSC, told the PAC that in accordance with FD 5.7, he used HRG without exception for all travel. He said that one of the administrative staff in the department would contact HRG and ask for a quote for a flight from A to B and they were then presented with a range of quotes⁴⁸:

“In the case of the recent flights to Cape Town, we were presented with 2 quotes, one for a fully flexible fare, one for a business class fare. The price differential between the 2 was £400. Over the course of the last 3 years, because of the fact we had booked a long time ahead and we had to cancel quite a lot of flights, the fact that we have fully flexible flights meant that we could get a refund of almost £30,000 as a result of cancellations. So we thought it was the prudent thing to do, to take the fully flexible booking at that point. But that is the process. What HRG does not do is it does not offer you the lowest fare by default. In fact, the

⁴⁸ A Treasury and Resources Officer later clarified that evidence collected showed that some officers specified flights, flight numbers and times, rather than the cheapest option of route. HRG display the cheapest rate available unless the request is too specific. This is being rectified with moves towards centralised booking for international flights.

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default on the booking system is direct flights and that is what is played out.”

- 9.14 Despite not having personally used the system, he was critical of it⁴⁹, and considered that improvements could be made, including an option to lock into a lower price with upcoming travel and a default to lowest price rather than direct flights

“I lost count of how many times that people in the department have come in said: “This is what has been quoted from the system. We can get it for less than that.” Then there is this tension between your role as accounting officer, having to spend the least amount of money to achieve an outcome, and a Financial Direction which mandates you to use other things.”

- 9.15 The Department of Treasury and Resources later verified that the system was in fact “defaulted” to provide the lowest fare and that if no direct flights were found, alternatives were offered or a “nil results” returned on the search. Trained users would know how to untick a box, and economy flights are also usually programmed in by default. Anything other than the lowest fare selected means the officer should provide a reason for that selection. Furthermore, flights and hotels at the lowest fares are highlighted in green and the higher fares in red. Management information suggests that high value complex trips are generally booked via the HRG team rather than online portal. It also noted there was no evidence to suggest that the officers had utilised the “Fare and Favour” policy⁵⁰ with HRG, which was mandated to match a lower fare, in order to recoup losses.

- 9.16 When challenged about whose responsibility it was to secure value for money and cheaper flight options, the chief Officer, EDSTC countered that all parties had a role in improving outcomes:

“I think it is a combination of both, do not get me wrong...We should always act as intelligent clients of these things...But the system I think should present those making the booking with what is the lowest cost first. You can sort these things, but the default ...should be lowest cost first and that will almost invariably be a non-direct route.”

- 9.17 The Director of Strategic Procurement advised that HRG would report whether the lowest fare was accepted, but that it was up to the individual officer to make a decision, based on their own knowledge of timings for meetings.⁵¹ She described how the centralised booking system was configured:

“The way that the information is displayed for the States of Jersey from HRG is the lowest price. So it does not pick out on preferred carrier and HRG do not have preferred rates so they are loaded into our system...States of Jersey, with value for money in mind, we have asked

⁴⁹ Commenting on a draft of this report, he later said, “The Chief Officer does not need to use the system personally to be critical of it. In the past EDD has submitted written evidence to Procurement regarding the issues with HRG and the fact that cheaper fares can be obtained direct with carriers.”

⁵⁰ In essence, a guarantee document from HRG. If a booker challenges HRG that they can obtain a lower fare for the same flight, they will match the price to ensure that best value is achieved.

⁵¹ She later further clarified the point that the System is configured to show lowest price first. However if an officer books via the Classic team and asks for a specific flight, and a time, they will provide a cost accordingly

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them to configure the system so it comes up with the lowest price, the cheaper fare first, because that is the order it comes in when you are searching on the system.⁵²

9.18 The Director, Strategic Procurement advised this could be managed by extra training and the system would only show direct flights if that default option were ticked. It should be simple to untick the box in the “Advanced Options” drop-down menu of the online portal, but more complex flight options should be discussed with the HRG team experts. The Chief Internal Auditor confirmed that in respect of booking international flights, officers were advised to telephone the HRG team in order to secure better options such as different hub or route options. However, the decision remained with the Chief Officer, as to which option to pick. The Director, Strategic Procurement later sent a screenshot of the process, below, showing what the booker will be presented with when they are booking any form of travel online. Green print represents the lowest price and is presented first. If the booker chooses any other option (represented in red), a drop down box (second screen shot) appears and the booker is required to select a reason to proceed:

⁵² PAC Public Hearing with Director of Strategic Procurement and others, 15th April 2016

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The screenshot displays a flight search interface for the route Jersey, States, United Kingdom (JER) to London, Gatwick, United Kingdom (LGW) on 06 December 2016. The results are sorted by price, with the lowest fare of 42.58GBP highlighted in green. Other fares, such as 77.58GBP, are highlighted in red. A dropdown menu for 'Policy Breaches' is open, listing reasons for selecting a higher fare, such as 'Preferred no reason given' and 'Preferred business reasons/accompanying client'. Annotations with red arrows point to the lowest fare, the 'Policy Breaches' dropdown, and the 'Details' button for a higher fare.

Policy Breaches
Best Fare Of The Day

Please state your reason below

- Preferred no reason given
- Preferred no reason given
- Preferred business reasons/accompanying client
- Due to security reasons
- Travelling in higher class due to medical reasons
- Declined lower fare due to Preferred Class of service
- Preferred time arrival/departure
- Preferred carrier
- Declined lower fare due to Preferred Airport
- Business Class Fare cheaper than Economy Fare
- Route Deal Fare accepted with fewer restrictions

9.19 The PAC was surprised to learn that although there were “flag” systems in place to check if someone had booked expensive flights or accommodation, it was retrospective and would not stop the user from booking that trip. However, it considers that ultimately it is the responsibility of the officer to secure value-for-money, acknowledging that each trip is funded by the taxpayer.

9.20 The Chief Executive defended the centralised booking system, suggesting that comments regarding obtaining flights cheaper outside HRG, were largely “anecdotal”⁵³ and the evidence was clear:

⁵³ The CO, EDSTC disputed this at a later date, commenting on an earlier draft of this report, that this was: “Not the case. As mentioned in previous comments, EDD/EDTSC has provided written evidence of instances where (this is the case)”. (taken in context to mean obtaining cheaper flights outside HRG—author’s clarification)

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“if you followed it all the way through the stages where you have booked your seats, you have booked your luggage, you have booked your this, you have got your airport taxes...you have added on a lot of money...in our Procurement Department, a team of people ...every week, purposely try and break the system for us...in the main there is no difference and we had 188 flight comparisons between July 2015 and March 2016, which would have totalled a cost of £134,000; 4 were more expensive, totalling £1,540; 74 were cheaper on our system, totalling £4,456 and 110 were equal.”

- 9.21 Corporate Procurement provided PAC with a confidential User Survey of HRG⁵⁴, and asked the Chief Executive if the system were as simple to use as he seemed to be suggesting, why it had shown high levels of customer dissatisfaction. He replied that there were a number of reasons:

“It is a cultural (issue) of why people do not like the system because ...it is putting controls in place ...I do accept some of the criticism from the users that we need to make the interface and the system easier... but the hard evidence ...does not support the anecdotal view that Expedia is a lot cheaper”

- 9.22 The PAC sought clarification from the Chief Executive following the public hearing. It queried whether commissions made by HRG, for bookings made on behalf of the States, were paid in full or in part back to the States. The Chief Executive assured the PAC that⁵⁵ the travel industry as a whole pays fewer commissions as a result of direct bookings via the internet. He advised that delivery of best value should not be confused with the price paid, and listed the realised benefits of the centralised system, concluding that:

‘From mid 2012-end 2015, circa 50000 transactions processed, during 2015 HRG received 15,152 calls and emails from States staff.

Anecdotal comments regarding the ability to achieve lower rates elsewhere have not been substantiated, whereas the number of man hours and the resources that would be required to process that number of enquiries and transactions is readily apparent. This represents a significant saving. ...by using a travel management service, the States has access to reduced rates, an online booking tool, an out of hours service and a team of experts to deal with a regular flow of complex travel requirements. Without the support of a service provider we would need to employ additional staff, invest in specialist software, increase the number of officer purchase cards and increase administration support for expense claims. This would not necessarily guarantee improved efficiency nor a reduction in the cost of travel but could jeopardise the quality of management information regarding travel expenditure.’

⁵⁴ SurveyMonkey User Survey HRG (confidential) 2015, CMD

⁵⁵ Letter from Chief Executive to PAC dated 25th August 2016.

KEY FINDING 9: There is a difference of perception between users and the executive in respect of the centralised booking system.

9.23 The PAC is assured that a centralised booking service is better for the States in terms of accessing management information and audit. It heard, however, several anecdotes from users (and non-users who authorised travel) that the current system was time-consuming and not easy to use.

9.24 It was noted in the confidential Internal Audit report⁵⁶ that HRG would provide a dedicated service team, the 'HRG Classic Team' for all departments' general queries and also for multi-point service booking. The Chief Executive advised that apart from tweaks to the system, it would be useful to have more training and super-users as well as HRG experts:

“It is no good just saying to anyone on our side of the team: “You go to the classic team.” We need to have some - I will call them super users - trained up from our side as the intelligent client... it is quite easy to have a couple of people...trained up as the super users who can be the intelligent client with the classic team.”

9.25 The PAC is pleased to note that there is a team in place in HRG who are there to help with queries and concerns when booking flights and trips, especially complicated travel arrangements. However it considers that in addition to the Chief Executive's idea of training more “super-users”, there should be in place a contract manager or similar, to whom users of the system can report problems, and who would feed back to both the HRG team and the user. The PAC considers that this would help the counter the perceived difficulties of the system, as evidenced by the poor results of the user survey.

RECOMMENDATION 10: An officer, possibly in Procurement, should be identified to feed back to HRG and users of the system to initiate a positive learning cycle.

9.26 The PAC questioned the Chief Officer, EDSTC, further on the controversial Cape Town trip and how that came to be booked at relatively high prices. The Chairman queried whether the Chief Officer had in fact entered route ““Jersey to Cape Town” on the booking system which would default to BA⁵⁷ as it was the only direct flight available, and why had he not considered another, possibly cheaper and less direct route

“Do you not feel it is the accounting officer's job to challenge that or are you relying on the system to best inform you and do the work for you?”

The Chief Officer, EDSTC replied:

“I guess the answer is the latter. Given recent events, I think there will be a far higher level of challenge going forward and hopefully the system will be part of that...”

⁵⁶ Internal Audit Division F2013-80 Confidential Executive Summary – Audit of compliance with FD5.7 (and others)

⁵⁷ The Treasury and Resources Department wanted to make it clear that an officer, not the system, 'defaulted' to BA. The portal was not used to make this booking – the request was specific.

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9.27 The Chief Executive, when queried as to whether a Chief Officer should have a responsibility to query the amount of money for a flight or another trip expense, agreed:

“If that has not happened, then it needs to happen in the future, and there is certainly some questions that would be between the officer, whether it is the Accounting Officer or the officer booking it, he is saying to the agent booking for them: “I need the options, not automatically go to what comes out at the top of the list.”

9.28 Notwithstanding difficulties in using the HRG system, the Chief Executive agreed with the PAC Chairman that any perceived faults of the booking system do not outweigh an officer’s duty to secure value for money and that it was the responsibility of the Accounting Officer (Chief Officer) to discharge their duties properly:

“You still need an intelligent user, an Accounting Officer that is responsible for public money ensuring that best value is achieved”

RECOMMENDATION 11: A principles based culture, embodied by the exemplary conduct of senior officers, rather than a prescriptive set of directives should emerge from this review.

10. Conclusion

The PAC is pleased to report that the majority of Accounting (Chief) Officers operate stringent policies to procure cost effective travel, in accordance with the principles of the Code of Conduct. However it discovered that a number of the processes and procedures are variable in their application, and in a small number of cases, may have contributed to the exercising of poor judgement by some officers.

The PAC review has identified a lack of consistency in the interpretation of directives across departments. A centralised and consistent approach across departments is essential if the States is to deliver efficient and cost effective services to the public.

The PAC agrees that a centralised booking system for all States travel is of fundamental importance in managing the procurement of travel and related products and services. However, most officers who gave evidence had not used the system themselves and regarded it as cumbersome. The PAC, acknowledging difficulties experienced by some departments, urges the Chief Executive to put in place a positive learning cycle to mitigate against those concerns. However any perceived faults with the system or lack of experience with using it, should not override the officers' duty to secure value for money.

During our investigation it became clear that culture differed greatly between departments. Some regarded high costing trips as justifiable because of the travelling officer's ability to demonstrate a higher inward investment return for Jersey.

The PAC was concerned that the value of certain high cost trips was not robustly and consistently challenged and concludes that a robust mechanism for determining value for money should be implemented. It also considers that alternatives to high-cost travel should have been sought. One expensive trip was undertaken annually over three consecutive years, and the PAC considers that it would not have been unreasonable to query whether it could have been undertaken more cost effectively.

One example given by a Chief Officer, when asked if he had sought alternative quotes, advised the PAC that (the booking officer) was presented with two quotes, one for fully flexible and the other for business class, a price differential of £400. He considered this to be a "prudent" option given that the booking was made a long time in advance, with the risk that it could be cancelled. Previous cancellations of fully-flexible tickets had "saved" the department approximately £30,000, in his opinion.

The PAC rejects this explanation as flawed reasoning, and considers the example of prudence given to be fatuous, demonstrating contempt for the principle of achieving best value when spending public money. The PAC concludes the comparison of fully-flexible flights to business class flights is akin to a comparison between buying a Rolls Royce or a Bentley, whereas most Chief Officers would explore the price differentials between reasonably-priced cars.

The PAC accepts that on rare occasions, business class travel is necessary for long-haul flights. However this should not be the norm, and it is aware that numerous alternatives exist such as the use of international hubs, or an overnight layover. More consideration should also be given to the use of Premium economy tickets. It is also clear to PAC that the use of expensive fully flexible tickets could have been avoided. Furthermore, it understands that a

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comprehensive insurance policy exists which includes cover for cancellation and curtailment of travel. It urges the Chief Executive to explore whether States self-insurance or cover for individual trips would be more cost-effective.

It appeared that departments were not coherently and clearly advised about the availability of approximately 1.5 million centrally-accrued points to reduce the cost of travel, nor which officers were eligible to use them or how to redeem them. This resulted in confusion and many thousands of points remaining underused for considerable periods of time.

The PAC also identified poor management of individual officers' airline loyalty points accrued on States business. The lack of a system to surrender those points back to central procurement for use by the States left them open to a perception that this could influence their choice of flights.

Having reviewed the internal report conducted by the Chief Ministers Department, the PAC accepts that there is no evidence of widespread misuse of procedures. However, it has identified disparity between departments and instances of blatant disregard for cost effectiveness, based on an erroneous assumption that the end (inward investment) justifies the means (high-cost trips).

It is not the PAC's function or intention to 'name and shame' departments, in fact it wishes to commend the CMD taking action to address the weaknesses identified and considers this to represent behaviour that a learning organisation should adopt. It did wish to stress, however, any action taken to correct failings in some departments should not undermine the trust and authority rightly placed in Accounting Officers to undertake scrupulous reporting procedures. If in doubt, the Chief Officer can always refer a matter to the Chief Executive for guidance.

Open and transparent adherence to a clear and simple principles-based protocol is more effective than rewriting complex procedures which can be interpreted and adopted with departmental variations.

The PAC urges the Chief Executive to establish a clear and simple principles-based approach to apply financial directives consistently and fairly throughout departments, and strongly recommends that trips over £500 are routinely and regularly published.

11. Public Accounts Committee Membership

The Public Accounts Committee's remit is different to that of other Scrutiny Panels in that it has a retrospective perspective and holds States Officers, rather than States Members, to account for their implementation of policy and procedures. The PAC incorporates both States Members and non-States Members. Its remit includes following up on reports by the Comptroller and Auditor General and reporting its findings to the States Assembly. It takes a retrospective look at whether public funds have been applied for the purpose intended by the States and whether sound financial practices have been applied throughout the administrations of all States departments.

Committee Members:

Deputy Andrew Lewis, Chairman

Connétable S. Crowcroft of St Helier, Vice-Chairman (from September 2016)

Deputy Judith Martin of St Helier

Connétable C. Taylor of St John

Mr Robert Parker

Mr Michael Robinson

Mr Gary Drinkwater

Appendix 1.

Review of Travel Policy, March 2016. (Requested by: Chief Minister)

Objective of Review
<p>Following media reports in February 2016 on the cost of air fares for senior officers the Chief Minister asked the Treasurer of the States to commission a review on policies relating to travel. The Review Team met on the 29th February to agree the scope of the review. This has subsequently been refined by the review team.</p>
Scope of Review
<p>The purpose of the review is to consider whether the States has appropriate policies in place to ensure that travel by States Members and Officers is undertaken only where operationally necessary and that the cost of travel represents best value for money.</p> <p>The review will cover all air travel since January 2013 costing over £500. It will include accommodation associated with travel as well as travel costs and individual expenses over £250. It will cover all officers and States Members. Full HRG data is only available from the start of 2014. Information prior to that date is more difficult to extract and will be less accurate.</p> <p>The review has been extended to cover the provision of parking at States-owned property to States officers and Members.</p> <p>Specifically the review will collect the following:</p> <ul style="list-style-type: none">• HR Codes of Practice and policies relating to travel and expenses• The Civil Service Code of Conduct• Existing and draft financial directions• Departmental travel policies• Departmental schemes of delegation• Employment contracts and letters for senior staff (departmental SMT members)• Management information from Corporate Procurement on costs of travel from:<ul style="list-style-type: none">○ HRG (the corporate travel contract) and○ Other procurement methods.• Management information from States Departments on travel costs and purposes for travel• Any breaches or exemptions granted from corporate or departmental travel policies and rules• Internal and external reporting of travel costs, to include:<ul style="list-style-type: none">○ Monthly and quarterly management reporting○ States Financial Report and Accounts○ Annual reporting to the States Assembly of travel costs for Ministers and Assistant Ministers.

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- Information relating to Avios and other “points”
- Provision of parking for officers and States Members.

The documentation will then be examined to assess:

- Whether the current regulatory framework is adequate to ensure achievement of optimum value for money from travel.
- Whether adequate arrangements are in place to ensure compliance with the regulatory framework.

The report of the review team will make recommendations for improvement to the regulatory framework and assurance and compliance arrangements as appropriate.

Output from the review

A written report will be produced, including recommendations for improvement. This will be considered by CMB and subsequently by the Council of Ministers.

Review Team

Director – Employment Relations
Director - Financial Planning and Performance
Director – Finance and Information, H&SS

Timing of the review

To report by 31st May 2016 to CMB.