

Recurring Themes: Financial Management

Public Accounts Committee
(PAC)

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States of Jersey
States Assembly



États de Jersey
Assemblée des États

Contents

Section 1 - Public Accounts Committee Membership	3
Section 2 - Chair's Foreword	4
Section 3 - Key Findings and Recommendations	6
Section 4 - Terms of Reference and Background	9
Terms of Reference for Review of Recurring Themes	9
Terms of Reference for Review of Financial Management	10
Section 5 - Introduction	10
Section 6 - Implementation of Financial Management Restructuring	13
Quarterly Hearing with the Chief Executive – 23 September 2019	13
Project and Programme Management	13
Five Case Model	14
External Consultants – Costs and Benefits	15
Organisational Learning	16
Zero-Based Budgeting	17
Efficiencies	18
Public Finances (Jersey) Law 2019	18
IT	19
Risks	20
Modular Approach to Projects	21
Faster Closing of Accounts	22
Accountability of Accountable Officers	23
Section 7 - Conclusion and Next Steps	25
Appendix A	26

Section 1 - Public Accounts Committee Membership

Senator Sarah Ferguson, Chair PAC



Connétable John Le Bailly, Vice-Chair PAC



Deputy Inna Gardiner



Deputy Rowland Huelin



Non-States Members (independently appointed):

Mr Adrian Lane

Mr Tim Rogers

Ms Moz Scott

Section 2 - Chair's Foreword

The Public Accounts Committee highlighted the need to improve Financial Management within the States, following on from the [Review of Financial Management](#) undertaken by the Comptroller and Auditor General (C&AG) in April 2015. Since then, it has figured high on the list of legacy issues to be dealt with by the Treasury. It is therefore heartening to note in the latest C&AG's [Financial Management and Internal Control Report](#) (September 2019), that she is pleased with the improvements in Financial Management made by the Executive, following her recommendations. However, the scale of change being attempted within the Finance Function is unprecedented.

Although the PAC welcomed proposals for improvement and restructuring of financial management, as set out in the plans and Target Operating Model (TOM) proposed by the Chief Executive, the PAC wanted to understand how the TOM translates into action to bring about the necessary improvements and overcome barriers to implementation. It also wanted to ascertain what the Chief Executive and senior officers have achieved so far – and how that is objectively measured.

The PAC has held quarterly hearings with the Chief Executive and other senior management team members. This report is based in the main on two quarterly hearings and private briefings by the Treasurer and the Chief Executive in the latter half of 2019. It recognises that the implementation of the financial management restructuring is only just underway, with the Public Finances Manual underpinning the Public Finances (Jersey) Law 2019 coming into force on 1 January 2020. Furthermore, the Government Plan has only recently been approved by the States Assembly, however the PAC is cognisant of the need to keep the public informed of its ongoing scrutiny and its findings.

Although many new improvements have been made, the previous Comptroller and Auditor General pointed out that key constitutional legislation comprising, amongst others, the Public Finances (Jersey) Law 2019, Employment of States of Jersey Employees Law 2005 and the States of Jersey Law 2005, need to be reviewed and amended as appropriate to ensure clear, consistent comprehensive and unambiguous accountabilities and that they work seamlessly together.

The Public Accounts Committee intends to include a review in its work programme for 2020.



Senator Sarah Ferguson

Chair, Public Accounts Committee

Section 3 - Key Findings and Recommendations

FINDING 1

The scale of change being attempted within the Finance Function is unprecedented. Whilst significant progress has been made, there is an opportunity to improve the formality of programme management to ensure that outcomes are delivered as expected and on time.

RECOMMENDATION 1

The Chief Executive should ensure the programme office is fully established within the Chief Operating Office and following best practice programme management disciplines.

RECOMMENDATION 2

The Treasurer should create clarity about the interim and end-states for the Finance Function, how and when progress will be measured.

RECOMMENDATION 3

The Chief Executive should ensure that programme reporting adopted by the Chief Operating Office (COO) has a full picture of the costs associated with delivery and that cost/benefit tracking is robust.

FINDING 2

The use of external resources to supplement the skills, experience and level of resources directly employed by the Government is a sensible approach.

RECOMMENDATION 4

The Treasurer and Chief Executive should establish clear parameters for the circumstances in which external resources will be acquired and the preferred sources for this, and establish clear targets for the long-term level of external resources brought in.

FINDING 3

The cultural change required to deliver the transformation and modernisation programme that aims to deliver accessible, digital information for staff and public across the finance function, is substantial, both within Treasury & Exchequer and more widely with budget holders.

RECOMMENDATION 5

The Chief Executive and Treasurer should establish standards for financial management for all budget holders and follow up on compliance with these as part of formal appraisals.

FINDING 4

The lack of zero-basing of departmental budgets, combined with historic defensiveness by embedded finance teams and poor controls across Government, undermines the confidence that money is being spent efficiently and effectively.

RECOMMENDATION 6

The Treasurer should accelerate consideration of zero-based budget reviews, based on materiality and feed the results of the reviews into the Government Plan process.

FINDING 5

The PAC recognises the Executive's desire to continuously improve the process of planning savings and its wish to do this by reference to the removal of waste and duplication rather than a broad brush percentage cut. Effective identification of waste has a significant overlap with the proposed approach to zero-based budgeting.

FINDING 6

The PAC welcomes the recognition of workforce demography and the intent to plan for this over the medium term. It encourages linking this thinking about replacement of the workforce and training, with the thinking about where external resources will be required in the medium term, in a consolidated People/Resource plan for the Government.

FINDING 7

The Committee finds that the move to a principles-based approach in the [Public Finances Manual](#) (PFM), combined with a programme of cultural alignment appears sensible.

RECOMMENDATION 7

The Treasurer should ensure that requests for exemptions or waivers against the new PFM are escalated to the appropriate level and visibility is given to the Executive as to the volume and value of such exemptions and waivers being approved.

FINDING 8

The PAC remains concerned at the level of manual intervention required for everyday financial transactions and associated inefficiency and control weaknesses. It is supportive of the need to invest substantial sums of public money in modernisation of the systems and controls, to drive efficiency and reduce the risk of loss. The approach to managing this on a modular basis appears sensible, given failures in large scale implementation in the past and the rapidly developing technological capabilities of system vendors.

RECOMMENDATION 8

Government should be transparent about the total investment which it is believed will be required for financial transformation and the replacement of the outdated systems, and the medium term impact on public expenditure to finance this beyond the current Government Plan period. The benefits of this spend should be considered in the broadest sense and made clear as part of the business case.

FINDING 9

The Committee is unclear what justification there is for urging an earlier close of the 2019 States Accounts.

RECOMMENDATION 9

Given the findings of the PwC Report to 'Those Charged with Governance on the 2018 Accounts', the Treasurer and the Chief Executive should set out a detailed justification in relation to faster closing of the year end accounts.

FINDING 10

There is a statutory obligation on each of the Directors General and the associated Accounting Officers (AOs), to provide the Chief Executive with a full report, which shows that they have discharged their responsibilities, as outlined in the accounting officer letter that is issued at the beginning of the year. This exchange of letters, together with the supporting processes and linking of this to the newly-implemented performance management process is welcomed.

RECOMMENDATION 10

The Chief Executive should ensure that sufficient independent scrutiny is performed of the supporting evidence for accountability letters, even if this is conducted in private, and that the overall position following this exercise is made public

Section 4 - Terms of Reference and Background

- 4.1 The Chief Executive and the Treasurer have pledged to work together to ensure that there is a restructure of finance departments within Treasury and individual Ministerial departments, so that highly trained and skilled staff undertake more strategy work and fewer transactional processes. The recent introduction of the [Public Finances \(Jersey\) Law 2019¹](#), which will work in conjunction with a published and 'live' online [Public Finances Manual](#) (PFM) are welcomed as major steps towards the finance function transformation. The PAC has held public hearings with senior officers and received documentation and private briefings regarding progress. This report will present the progress made and the steps to be taken.

Terms of Reference for Review of Financial Management

- 4.2 The review will establish and report to the States on –
- (a) which, if any, of the C&AG's recommendations relating to financial management have not been accepted in full and the reason/s for non or partial acceptance;
 - (b) the action plans produced by relevant parties in response to the C&AG's and PAC recommendations in reports between 2015 and 2019;
 - (c) progress on the implementation of recommendations against action plans/TOM;
 - (d) what was preventing States departments from implementing necessary changes, or establishing a clear timetable and milestones against which to measure progress; and
 - (e) implications and conclusions arising from the above.

¹ Public Finances (Jersey) Law 2019

Section 5 - Introduction

- 5.1 The Public Accounts Committee has undertaken scrutiny of the progress made by the Executive in implementing improvements to financial management. Wide-ranging legislation has been introduced, including the [Public Finances \(Jersey\) Law 2019²](#), which will work in conjunction with a published and 'live' online [Public Finances Manual \(PFM\)](#). This replaces Financial Directions (FDs) which the PAC considered were insufficiently principles-based. The Public Finances (Jersey) Law 2019 imposes duties on the Principal Accountable Officer (for the Government of Jersey) and Accountable Officers (for Non-Ministerial Departments) for securing propriety, regularity, economy, efficiency and effectiveness in the use of resources.
- 5.2 The Chief Executive and the Treasurer have pledged to work together to ensure that there is a restructure of finance departments, both individual and corporate. Although the PAC welcomed proposals for improvement and restructuring of financial management, as set out in the plans and Target Operating Model (TOM) proposed by the Chief Executive, the PAC wanted to understand how the TOM translates into action to bring about the necessary improvements and overcome barriers to implementation. It also wanted to ascertain what the Chief Executive and senior officers have achieved so far – and how that is objectively measured.
- 5.3 The PAC has held quarterly hearings with the Chief Executive and other senior management team members. This report is based in the main on two quarterly hearings and private briefings by the Treasurer and the Chief Executive. It recognises that the comments below are based on a limited evidence base, and that the implementation of the financial management restructuring is only just underway, however it has attempted to give appropriate weight to the evidence before it. It is also cognisant of the need to keep the public informed of its findings.
- 5.4 As early as March 2018³, the Chief Executive of the Government of Jersey had identified 45 recommendations related to Financial Management, and subsequently advised of the Government's priorities:
- Enhance the contribution of finance staff through shift to strategic decision support;
 - Faster reporting (of States Annual Accounts);
 - Strengthen linkages between finances and performance objectives; and
 - Undertake zero-based budgeting in many areas.
- 5.5 The PAC noted a snapshot of the progress made on the Comptroller and Auditor General's (C&AG) recommendations in relation to Financial Management and requested examples of ongoing work in relation to the following:
- C&AG - [Review of Financial Management⁴](#) (2015):
- **Recommendation 10** - Develop a plan for enhancing the contribution of financial professionals across the organisation, focussing on strategic level input and support for non-financial managers, including moving line management of all finance staff to Treasury and Resources;

² Public Finances (Jersey) Law 2019

³ PAC private briefing with Chief Executive and senior management team, March 2018.

⁴ C&AG Report on Review of Financial Management (2015)

Financial Management

- **Recommendation 19** - Over the cycle of the new Medium Term Financial Plan⁵ (MTFP), undertake a comprehensive programme of zero-based budget reviews;
- C&AG - [Review of Financial Management \(2016\)](#)⁶;
- **Recommendation 11** - Reduce the time period for reporting performance against budget at both departmental and corporate level;
- C&AG - [Private Patient Income: Health and Social Services Department - Follow-up](#)⁷ (2017); and
- **Recommendation 7** - Establish and regularly report financial KPIs which clearly demonstrate the link between current performance and business objectives in a way which enables 'at a glance' understanding of the position.

5.6 At the 23 September 2019 public hearing, the Chief Executive reassured the PAC that he had taken the recommendations seriously and presented a table showing a sample of the ongoing work, below⁸:

Example recommendations	Proposed Action	Importance
R10 - Develop a plan for enhancing the contribution of financial professionals across the organisation, focussing on strategic level input and support for non-financial managers, including moving line management of all finance staff to Treasury and Resources.	Initiate Finance Reform Programme	Increased contribution of Finance Professionals
R7 - Establish and regularly report financial KPIs which clearly demonstrate the link between current performance and business objectives in a way which enables 'at a glance' understanding of the position.	Improving Business Planning and Performance Management	Greater understanding of Cost Drivers and links to outputs/outcomes will giving greater depth of review of budgets, and greater insight into the potential risks and opportunities moving forwards.
R19 - Over the cycle of the new MTFP undertake a comprehensive programme of zero-based budget reviews		
R11 - Reduce the time period for reporting performance against budget at both departmental and corporate level.	Plan to increase speed of both in-year and year-end reporting	Transparency of finances to ensure accountability.

5.7 Following that hearing, the PAC was presented with samples of the 'live' 'tracker' database, which is maintained by the Chief of Staff and others in the Senior Management Team, and charts the progress made in implementing recommendations made by the PAC and C&AG.⁹ A snapshot of the tracker is reproduced overleaf.

⁵ Superseded by the [Government Plan](#) from 1 January 2020

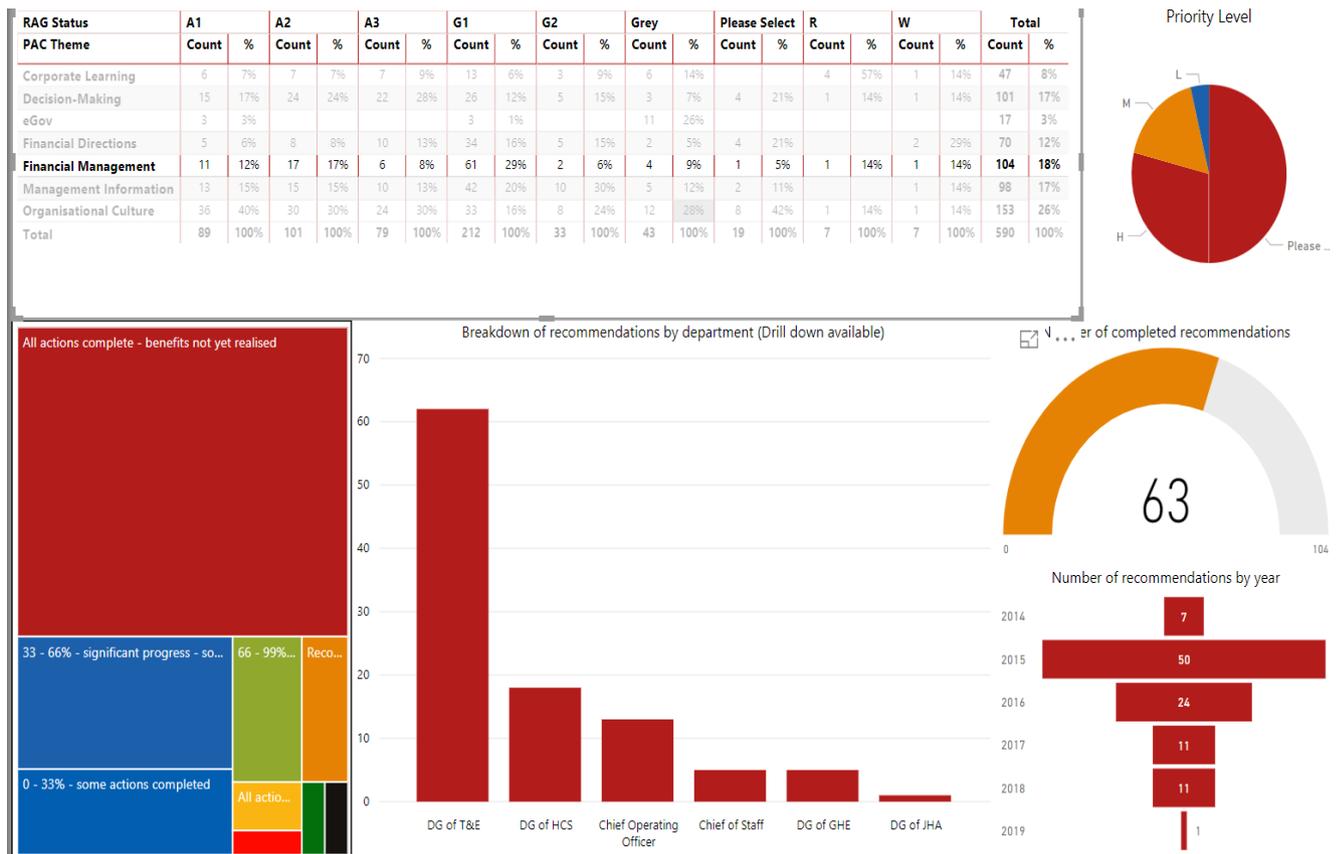
⁶ C&AG Report on Review of Financial Management (2016)

⁷ C&AG Report on Private Patient Income: Health and Social Services Department - Follow-up (2017)

⁸ Although the table refers to the cycle of the 'new MTFP', the PAC acknowledge that the MTFP has been replaced by the Government Plan.

⁹ Sent by email to PAC on 23 September 2019, by Office of Chief Executive

Financial Management



5.8 The PAC was pleased to be reassured by the Chief of Staff (at a later public hearing), that, in respect of financial management, all of the C&AG and PAC reports went to the Executive Management Team (EMT) and the CSB (Corporate Strategy Board). She added:

“The learning from not just the recommendations ...but the reports, ... also go to the Council of Ministers, where I present the C&AG’s recommendations and the responsible officer then discusses with C.O.M. (Council of Ministers) what they are going to do.”¹⁰

¹⁰ PAC Public Hearing with Chief Executive, Treasurer of the States and others 9 December 2019

Section 6 - Implementation of Financial Management Restructuring

Quarterly Hearing with Chief Executive 23 September 2019

- 6.1 On 23 September 2019, the PAC conducted a [public hearing](#)¹¹ to follow-up on Financial Management changes by the Government. It heard evidence from the Chief Executive of the Government of Jersey, the Treasurer of the States, the Director of Risk and Audit and the Head of Financial Governance. The C&AG had recently published her follow-up report on [Financial Management and Internal Control](#)¹² to which the PAC made reference. The C&AG identified significant progress in financial management, which the PAC was pleased to note, but had also reported on a number of areas where improvements are yet to be fully embedded or are outstanding. The PAC received an Executive Response to the C&AG's Report on 31 October 2019, accepting all recommendations, reproduced in full at Appendix A of this report.
- 6.2 The PAC concurred with the C&AG that there were a number of strands to the changes being made within financial management across the States departments, which could be quite confusing. The PAC asked the Treasurer to define them clearly and simply. The Treasurer advised that it was "the most significant period of sustained and large-scale change I have seen in 20 years". The PAC also acknowledged that scrutiny of policy relating to Financial Management was taking place by the Corporate Services Scrutiny Panel (CSSP)¹³ which included, amongst other things:
- a) To consider, in the light of the [2016-2019 MTFP](#)¹⁴ and [Transition Report](#)¹⁵, how the treatment of contingencies/reserves, or any other areas of non-routine proposals have evolved in respect of the Government Plan 2020;
 - b) To identify the variances from budget of the MTFP 2016-2019/Transition Report, and any lessons learnt and to consider any effect upon the Government Plan 2020.¹⁶

The PAC has not pursued these ongoing policy matters in this report and has instead concentrated on the progress made by the Executive in implementing improvements to financial management.

- 6.3 When asked what the principal achievements in financial management had been to date, the Chief Executive referred to a series of significant changes in the Machinery of Government (Miscellaneous Amendments) (Jersey) Law 2018, accounting responsibility, establishment of enterprise risk management system, change to financial processes, introduction of business partnering, a faster close (of accounts), and the centralisation of the finance function.¹⁷

Project and Programme Management

- 6.4 The PAC wanted to understand how the Executive would use programme management to ensure delivery of the Finance Transformation Project. The Treasurer confirmed that the Finance Transformation Project had been fully incorporated within the Treasury and

¹¹ Transcript of public hearing 23.9.19

¹² C&AG Report on Financial Management and Internal Control 2019

¹³ [CSSP Government Plan Review including its design and implementation](#)

¹⁴ Medium Term Financial Plan Addition for 2017-2019

¹⁵ Transition Report 2019 R.55/2018

¹⁶ [CSSP Report: Government Plan Review](#) November 2019

¹⁷ [PAC Public Hearing with Chief Executive and Treasurer of States 23 September 2019: transcript](#)

Exchequer Department and that the newly formed senior leadership team would have a 'single view going forward in terms of monitoring progress with regards to transformation', which in his view should provide better co-ordination and successful delivery.¹⁸

- 6.5 When asked how he could ensure value for money for the Finance Transformation Project, the Treasurer told the PAC that there were a range of ways in which the department resourced the transformation projects:

"... using local base but in particular internal resources wherever possible, but supplementing that with external support. The plan overall is to use external support and consultants where we do not have the capability or we do not have the recent experience. Or, bluntly in some cases, where we do not have the capacity."¹⁹

5 Case Model

- 6.6 The Treasurer said value for money could be assured by following up the initial review of the National Audit Office (NAO) Financial Maturity Model²⁰ with a further assessment after the replacement for the finance system and the Chief Executive added that all projects would be subject to the normal challenge, i.e. the "[5 case model](#)".²¹ The PAC recalled that this model is an approach recommended by HM Treasury, amongst others, for developing business cases and comprises five key dimensions: strategic, economic, commercial, financial and management. The purpose of each of the five cases is to address specific questions and provide evidence to satisfy the approver or funder.



FINDING 1

The scale of change being attempted within the Finance Function is unprecedented. Whilst significant progress has been made, there is an opportunity to improve the formality of programme management to ensure that outcomes are delivered as expected, on time.



RECOMMENDATION 1

The Chief Executive should ensure the programme office is fully established within the Chief Operating Office (COO) and following best practice programme management disciplines.

- 6.7 The PAC followed up its enquiry into improved arrangements for business cases at the public hearing of 9 December 2019,²² with the Chief Executive and Treasurer of the States. The Treasurer explained that training had been undertaken across the Treasury and Exchequer in respect of the 5-case model and a team had been established within the department to specifically look at business cases and investment appraisal. He told the PAC this would provide a centre of excellence and an element of training for finance business partners and others who are preparing business cases. He added that the benefit of this and additional scrutiny of investment appraisals would be:

"... more challenge going into the process that we have in awarding funding, also going through in terms of those business cases that pass muster in order to go into a Government Plan, but also on the other side of that, you have people articulating and

¹⁸ [PAC Public Hearing 23 September 2019](#)

¹⁹ [PAC Public Hearing 23 September 2019](#)

²⁰ <https://www.nao.org.uk/report/financial-management-maturity-model-4/>

²¹ [Guide to developing a Project Business Case: Overview of the 5-case Model by HM Treasury](#)

²² [PAC Public Hearing with Chief Executive, Treasurer of the States and others 9 December 2019](#)

challenging themselves as to why funding is necessary or why they are delivering a project.”.²³

- 6.8 The PAC was pleased to see the progress on making better business cases for funding projects and programmes but wants to ensure that there are clear, measurable outcomes for the delivery of a better Finance function such as Key Performance Indicators (KPIs) and a comprehensive performance management framework in place. The Director General for Strategic Policy, Performance and Population (SPPP) in the public hearing of 9 December 2019, assured the PAC that tangible progress on KPIs and the measurement framework throughout departments would be seen by the first quarter of 2020.²⁴ The PAC will want to see evidence of what outcomes the Executive are targeting, and the levels achieved. It recommends that the Executive clarify how and when progress will be measured, and will be monitoring this closely.



RECOMMENDATION 2

The Treasurer should clarify interim and end-states for the Finance Function, and how and when progress will be measured.



RECOMMENDATION 3

The Chief Executive should ensure programme reporting adopted by the COO has a full picture of the costs associated with delivery and that cost/benefit tracking is robust.

External consultants - costs and benefits

- 6.9 At the earlier public hearing of 23 September 2019, the Treasurer advised that, to September 2019, external costs²⁵, were approximately £200,000 on financial maturity work, £600,000 on preparation of the new Public Finances (Jersey) Law, and £700,000 on restructuring departments. He admitted, though, that it was more difficult to assess ‘internal’ department costs of the departmental restructure.²⁶ The PAC queried the reliance on external consultants and interim managers to ensure delivery but the Treasurer commented that there were a range of ways in which transformation projects were resourced, using, “internal resources wherever possible, but supplementing that with external support”. He added that the department was “weaning ourselves gradually from reliance on our partners”.²⁷ However, he advised that there was no intention to completely remove external challenge and input, as it brings a valuable perspective to the workforce.



FINDING 2

The use of external resource to supplement the skills, experience and level of resource directly employed by the Government is a sensible approach.



RECOMMENDATION 4

The Treasurer and Chief Executive should establish clear parameters for the circumstances in which external resource will be acquired and the preferred

²³ [PAC Public Hearing with Chief Executive, Treasurer of the States and others 9 December 2019](#)

²⁴ [PAC Public Hearing with Chief Executive, Treasurer of the States and others 9 December 2019](#)

²⁵ External costs refers to the cost of external consultants preparing an initial piece of work on the Financial Management maturity assessment – Treasurer, [PAC Public Hearing 23 September 2019](#)

²⁶ [PAC Public Hearing 23 September 2019](#)

²⁷ [PAC Public Hearing 23 September 2019](#)

sources for this, and establish clear targets for the long-term level of external resources brought in.

Organisational learning

6.10 In its previous reports, the PAC identified a lack of organisational learning; to which silo working contributed throughout Government departments. The Committee was keen to learn how corporate learning in respect of the changes to financial management would be applied across the wider organisation. It asked the Chief Executive and the Treasurer, at its meeting of 23 September 2019, how well the Directors-General were equipped to deal with financial matters as non-finance managers. The Treasurer advised that the restructuring of the department included matching the (transactional) skills of the current staff with the (strategic) skills needed to run the future finance function.²⁸ Having commented on the coaching programme which commenced in 2018, he advised that the key priority of 2020 would be to develop the capability and training strategy “from a finance perspective”, but also to train non-financial managers. However he did accept that:

“The organisation is still too reliant upon the people in my team to do the job of a budget holder”²⁹

6.11 The Chief Executive assured the Committee that ownership for delivery of these ambitious financial programmes would be embedded outside of the Treasury and Exchequer, by way of the Team Jersey programme, the use of ‘bitesize modules’ around accountability and a strong performance management framework for an appraisal system. He told the PAC that there were now very clear accountabilities and financial management responsibilities at senior management level, but also for budget holder level, and this would become ‘embedded’ in 2020.

6.12 The PAC considered that there have been substantial improvements in the flexibility of Government financial planning and its integration across multiple departments. At its follow up public hearing of 9 December 2019, the PAC noted that there is further work to do to build out the supporting frameworks, including the linkage of critical output Key Performance Indicators (KPIs) to the financial inputs required. The PAC was keen to understand how departments were engaging with the process and the Director General (SPPP), told the Committee:

“We have developed an approach that should deliver us both a national performance management framework, so how is Jersey doing...and also one that articulates how the public sector contributes to how the Island is doing across the organisation ... What you will see in January is the upper layer of the performance framework, so what you will see is the outcomes layer, the top layer, and the top layer is benchmarkable because it is aligned with the O.E.C.D. (Organisation for Economic Co-operation and Development) Better Life Index, which you can look at ...to see how Jersey is doing...”³⁰

6.13 The PAC agrees with the Treasurer, that the ‘cultural shift’ had been enhanced by the single finance function, and concluded that budgets should be set more efficiently, across the States departments, with a more corporate view. It considered that all budget holders should be competent in financial management, and that this could be achieved

²⁸ [PAC Public Hearing 23 September 2019](#)

²⁹ [PAC Public Hearing 23 September 2019](#)

³⁰ [PAC Public Hearing 23 September 2019](#)

by establishing a set of standards for financial management as an integral part of the performance framework. The budget holder's appraisals would include a review of compliance with those standards.



FINDING 3

The cultural change required to deliver the transformation and modernisation programme that aims to deliver accessible, digital information for staff and public across the finance function, is substantial, both within Treasury & Exchequer and more widely with budget holders.



RECOMMENDATION 5

The Executive and Treasurer should establish standards for financial management for all budget holders and follow up on compliance with these as part of formal appraisals.

Zero based budgeting

6.14 The PAC noted that little progress has been made by the Executive on developing targeted 'zero-based budgeting' (ZBB) (a method of budgeting in which all expenses must be justified and approved for each new financial period, analysing needs and costs of each function within the organisation and allocating funds accordingly, regardless of how much money has previously been budgeted for it). At its public hearing of 23 September 2019, the PAC asked the Chief Executive what measures would be put in place to improve internal scrutiny of expenditure and implement zero-based budgeting. The Treasurer advised that the changes to the structure of the organisation required the Accountable Officers (AOs) who report into the Principal Accountable Officer (PAO), to "justify existing spend and the economy efficiency and effectiveness of that spend", and that the single finance function and the introduction of other cross-department cutting would allow for further efficiencies. He agreed that:

"zero-based budgeting will provide the opportunity and a set of tools which hopefully everyone will understand and, therefore, everyone will hopefully trust by which we could deliver or assess current efficiency through benchmarking and such like, and deliver further efficiencies ..."³¹

6.15 The PAC wanted to know how he proposed to effect the cultural change that would make government departments more willing to be challenged externally with respect to spending and the Treasurer agreed that establishing a 'zero-based budgeting team' should be progressed by the end of 2019:

"we need to have made progress by the end of the year in starting up the initial team for zero-based budgeting... I would like that to be a combination of internal and external resources, and it will, but it will require external resource to start up the model...but also to start those initial reviews ... as we look to pass the skillset to our home-grown talent"



FINDING 4

the lack of zero-basing of departmental budgets, combined with historic defensiveness by embedded finance teams and poor controls across Government, undermines the confidence that money is being spent efficiently and effectively.

³¹ [PAC Public Hearing 23 September 2019](#)



RECOMMENDATION 6

The Treasurer should accelerate consideration of zero-based budget reviews, based on materiality and feed the results of the reviews into the Government Plan process.

Efficiencies

6.16 The PAC wanted to know how the Chief Executive and Treasurer were planning to complete the identification of efficiencies stated in the [Government Plan](#).

6.17 The Treasurer stated that the set of efficiencies would be ongoing rather than a 'one-off', although investment in IT would contribute significantly. He added that other opportunities in the meantime included zero-based budgeting and looking at savings in 2021 and 2022.³² The Chief Executive agreed that although there would be an initial investment needed in the finance transformation programme such as interim support and IT systems, this would be gradually recovered by improved working. He told the Committee:

"we are looking at the areas where we have got duplication, looking at... where we have built cost into our systems and activity which could be stripped out... without harming frontline services or making people redundant ... our demographics in the workforce mean we have quite an ageing workforce in the public services."³³



FINDING 5

The PAC recognises the Executive's desire to continuously improve the process of planning savings and its wish to do this by reference to the removal of waste and duplication rather than a broad brush percentage cut. Effective identification of waste has a significant overlap with the proposed approach to zero-based budgeting.



FINDING 6

The PAC welcomes the recognition of workforce demography and the intent to plan for this over the medium term. It encourages linking this thinking about replacement of the workforce and training, with the thinking about where external resources will be required in the medium term, in a consolidated People/Resource plan for the Government.

Public Finances (Jersey) Law 2019

6.18 The PAC wanted to understand the process for developing the [Public Finances Law](#) and accompanying [Public Finance Manual](#) (PFM), and more importantly, what could be learned from errors made. It pressed the Treasurer on what had been learnt in the process and he accepted that that there had been, with KPMG external support, 'blurred' roles between "those who were leading the project and project management". He told the PAC at the public hearing in September 2019 that he would have liked more time to develop the programme and would adopt a more structured approach going forward but,

³² [PAC Public Hearing 23 September 2019](#)

³³ [PAC Public Hearing 23 September 2019](#)

notwithstanding that, an entire reorganisation for finance had often led to people having competing pressures:

“But those who led it were the right people, with expertise... [built up] over a period of time [and] experience of the organisation”³⁴

6.19 The C&AG and PAC have welcomed the new [Law](#) and the supporting [Public Finance Manual](#) (PFM), which is now available online and replaced the often cumbersome Financial Directions on 1 January 2020. The Treasurer had commented at the public hearing of 23 September 2019 that the old financial directions were so prescriptive and detailed that exemptions were the rule. The expectation with fewer hard rules was that requests for exemptions become ‘genuinely exceptional’ The PAC recalled that the Public Finances [Law](#) prescribes the mandatory elements that must be complied with by all States Bodies to:

- implement and maintain appropriate financial management practices; and
- achieve a consistent standard of accountability and financial reporting.

6.20 The [Public Finance Manual](#) (PFM) represents an integral part of the Jersey Financial Compliance Framework, which in turn provides assurance that departments have implemented appropriate systems to ensure compliance with the [Public Finances Law](#) and that they have done so through effective, efficient and responsible financial management of public resources.³⁵

6.21 The PAC was satisfied that the online PFM would be founded on sound principles of financial management rather than the voluminous and rigid Financial Directions. This, coupled with the strong performance management framework for an appraisal system, clear accountabilities and financial management responsibilities at senior management level should ensure a stronger financial management culture. However, the PAC agrees with the C&AG that cultural change takes time and the changes are yet to be firmly embedded.³⁶ Accordingly it will chart progress on the implementation of these initiatives throughout 2020.



FINDING 7

The Committee is pleased with the move to a principles-based approach in the [Public Finances Manual](#), combined with steps to reinforce a culture of collective responsibility for corporate financial management.



RECOMMENDATION 7

The Treasurer should ensure that requests for exemptions or waivers against the new PFM are escalated to the appropriate level and visibility is given to the Executive as to the volume and value of such exemptions and waivers being approved.

IT

6.22 The C&AG has identified³⁷ limited progress with the development of a new accounting system for the States and reliance on non-system controls such as end-user computing.

³⁴ [PAC Public Hearing 23 September 2019](#)

³⁵ From online [Public Finance Manual](#) 2 January 2020

³⁶ [C&AG Report on Financial Management and Internal Control 19 September 2019](#)

³⁷ [C&AG Report on Financial Management and Internal Control 19 September 2019](#)

The Committee asked what progress has been made with the business case for rationalising the data run from separate systems to the accounting ledgers. The Chief Executive agreed, at the 23 September public hearing that:

“The manual transfer of data ... is quite significant and was pointed out in the due diligence report by the number of adjustments that have to be made. In the normal course of events, those would be a minimum. We have numbers that far exceed anything that you would see in other places because ... the systems do not talk to each other.”³⁸

6.23 The PAC noted at the September 2019 public hearing that there had been extensive work in looking at how the IT systems might be replaced. The PAC agrees that the need to replace the outdated IT systems to provide better financial processes is overdue but it is aware it will be a large, multi stranded undertaking. It wanted to understand how the Executive planned to keep such a large programme on target. The Treasurer of the States stated:

“ ... we might use someone else’s system and run our finances off that ... Or we have our own systems developed, whether it be a complete system or ...’a best of breeds.’ We will look at the components that will speak to each other but choose the best that suit for the management of people compared to the module for running finance.”

6.24 At the public hearing of 23 September 2019, the Treasurer advised that the requests were in the [Government Plan](#)³⁹ for the capital cost and initial revenue costs arising. He anticipated a 20% saving in the finance team, which equated to circa £2 million per year, plus “some cashable savings in IT, the same sort of level”⁴⁰ The Chief Executive advised, however, that significant investment was needed:

“the original assessment – (we need) to bring the States up to where it should be (probably) four times the amount [requested] for the organisation to deliver on time and for us to be able to afford in this Government Plan period. Such is the paucity of our IT infrastructure, we have a real, real long-term requirement to look at significant investment going forward”⁴¹

6.25 When pressed on how long-term the investment might be, he told the Committee:

“... the long-term investment is probably required over a 10-, 15-year period...[technology] is going to change so dramatically that one of the reasons why we have taken a prudent approach is to let us see where we go”

He emphasised:

“It is absolutely critical that this programme keeps to time... without the transformation in our IT we are limited to the extent we can improve financial management”, and as well as having data in one place, the improved systems would:

“... allow us to ... rid ourselves of our over-reliance on spreadsheets being able to look at the data directly rather than having to hope that the last guy who was working on [it] put the right number in the table... to ensure that the forecast was right ... I cannot over-exaggerate the extent to which there is manual intervention every time someone asks us a question”⁴²

³⁸ [PAC Public Hearing 23 September 2019](#)

³⁹ P.71/2019, approved after a number of amendments on 2 December 2019.

⁴⁰ [PAC Public Hearing 23 September 2019](#)

⁴¹ [PAC Public Hearing 23 September 2019](#)

⁴² [PAC Public Hearing 23 September 2019](#)

Risks

6.26 The PAC wanted to understand the level of risk if IT systems were not replaced. At the September 2019 quarterly hearing with the Chief Executive and the Treasurer, the Treasurer reiterated the potential to reduce fraud and error; improve the control environment and improve cyber security. The Committee also noted in [R.91/2019](#), the report on further information on additional revenue expenditure and capital and major projects expenditure in the [Government Plan](#), that if the expenditure on integrated IT delivery was not forthcoming, the following risks had been identified⁴³.

- Any new departmental initiatives requiring central IT support would not be initiated
- New and ongoing change would not be controlled under a central governance framework and an appropriate evidence base for decision making would not be available to the Ministers or Executives
- The risks identified from poor delivery of previous programmes would not be mitigated, as recommended by the C&AG
- Some departmental IT programmes that did not impact central IT would be allowed to continue but would be uncoordinated and would have limited support once embedded
- Interim cyber security improvements would not be progressed – again, not mitigating the number one GoJ Corporate risk
- (Finance) transformation activities would halt.

6.27 The Committee noted that the Treasurer and the Chief Executive could not provide at this stage an estimate of the operational costs or risk of loss arising from fraud and error. It concluded that it would like to understand the extent of losses which Government believes is suffered – either directly through fraud, or indirectly through lost revenue or wasted rework – as a result of the system deficiencies that exist.

Modular approach to projects

6.28 Having noted that mistakes had previously been made in terms of project management, the PAC was reassured to note that [R.91/2019](#)⁴⁴ demonstrated the Executive's 'modular approach', whereby projects would be advanced on an individual level rather than an expensive 'one-size fits all' approach which could cost millions of pounds and yet be redundant or out of date by the time the IT systems overhaul project was completed. The PAC noted the description of the projects within R.91, such as 'Delivering Effective Financial Management', to ensure that effective financial planning is integrated with strategic and corporate planning at all levels.⁴⁵ It also noted 'Modernisation and Digital'– enhanced capabilities projects which cover the following main areas:

- Cyber security - addresses the prevention, monitoring detection of the cyber threat in the operational space and the project delivery environment.
- Records Management - ensures that the Government of Jersey is compliant with Record Management Requirements.

⁴³ P.105 of [R.91/2019](#), further information on additional revenue expenditure and capital and major projects expenditure in the [Government Plan](#)

⁴⁴report on further information on additional revenue expenditure and capital and major projects expenditure in the [Government Plan](#)

⁴⁵ P.115 of [R.91/2019](#), further information on additional revenue expenditure and capital and major projects expenditure in the [Government Plan](#)

- Data Management - covers two main aspects. It ensures legal compliance and protection of data and it also looks to ensure data flows better across government to create a more seamless, end to end customer service.⁴⁶

6.29 The PAC is supportive of the strategy to monitor financial and non-financial performance together to drive efficiency and effectiveness. It also accepted that, whilst a separate business case to replace the outdated financial systems is produced, better financial management across the organisation should support the wider drive for efficiency, as well as reducing financial risks and generally improving decision making. The PAC will continue to hold the Executive to account on this approach and seek reassurance that the individual and total investment required will be advised in a transparent way.



FINDING 8

The PAC remains concerned at the level of manual intervention required for everyday financial transactions and associated inefficiency and control weaknesses. It is supportive of the need to invest substantial sums of public money in modernisation of the systems and controls, to drive efficiency and reduce the risk of loss. The approach to managing this on a modular basis appears sensible, given failures in large scale implementation in the past and the rapidly developing technological capabilities of system vendors.



RECOMMENDATION 8

Government should be transparent about the total investment which it is believed will be required and the medium-term impact on public expenditure to finance this beyond the current government plan period. The benefits of this spend should be considered in the broadest sense and made clear as part of the business case.

Faster Closing of Accounts

6.30 Given that the Chief Executive cited a faster close (of accounts) as a principal achievement to date, the PAC was mindful of the extra costs incurred by PWC, the external auditors appointed by the C&AG, at the close of the 2018 States accounts.⁴⁷ It wanted to explore whether potential additional costs and associated risks (such as an impact on audit quality of a faster year-end close, or the change of the States auditors from PWC to Deloitte for the 2019 accounts), had been fully considered by the Executive.⁴⁸ It recalled that the legal deadline for the signing off of the year-end accounts was by May the following year, however PWC had been encouraged by the Government to issue their opinion on the 2018 accounts by the end of March 2019 (they were signed off in April 2019) and the Chief Executive wanted the new auditors, Deloitte, to work to a similar timetable.

6.31 The PAC held separate private briefings with PWC, Deloitte and the Risk and Audit Committee Chair, and was satisfied that the risks were under consideration. The PAC noted that throughout the 2018 Faster Close project, a Finance team created and managed a register of detailed operational risks, which was presented to the Risk and Audit Committee (RAC) Chair. However, it was also aware that PWC had issued a report to 'Those Charged with Governance on the 2018 accounts', which included the view that the States should not seek to advance the timetable further for the preparation of the

⁴⁶ [P.104 of R.91, Further](#) information on additional revenue expenditure and capital and major projects expenditure in the [Government Plan](#)

⁴⁷ Additional costs arose as PWC had planned manpower for a May year-end but deployed additional resources at a "peak period" to fulfil the earlier close. These additional costs were borne by Treasury.

⁴⁸ The PAC raised this issue with Deloitte and the RAC Chair at (separate) private briefings in November 2019, and was satisfied that the potential risks of faster closing of accounts were under consideration.

2019 accounts.⁴⁹ The PAC is keen to know if a response, either by the Risk and Audit Committee (RAC) or the Executive, had been issued⁵⁰ and will be following up on this with the Chief Executive in its quarterly hearing in March 2020.

6.32 The PAC emphasises that consideration should be given on whether the intangible benefits arising from an earlier close justify potential additional costs. Additional costs may arise from weaknesses in the arrangements for the preparation of the accounts and errors in the accounts submitted for the auditors' initial review. There are significant challenges in obtaining sufficient, appropriate evidence to support the accounts, especially where the financial systems are labour-intensive and outdated.

6.33 The internal evaluation of accounting policies and critical judgemental items, together with the documentation of these items in a clear way that can be tested by the external auditors, are key tasks in the accounts cycle. Having heard from the external auditors, Deloitte at a private briefing in November 2019, it was reassured that Deloitte would not sacrifice the quality of accounts in favour of the speed of closure.



FINDING 9

The Committee is unclear what justification there is for urging an earlier close of the 2019 States Accounts.



RECOMMENDATION 9

Given the findings of the PwC Report to 'Those Charged with Governance on the 2018 Accounts' the Executive should set out a detailed justification in relation to faster closing of the year end accounts.

Accountability of Accountable Officers

6.34 The Chief Executive assured the Committee that each of the Accountable Officers would be held to account:

"Each of the Accountable Officers [have] certain assurances that they have to give me back as the PAO (Principal Accountable Officer). I want to understand what that looks like. They will have to produce the evidence of that and where and how and what that means going down through the organisation... and there is a transparent process behind that which gives me assurance".⁵¹

6.35 At the public hearing of 9th December 2019, the Chief Executive reiterated to the Committee that there was a statutory obligation on each of the Director Generals and the associated Accountable Officers (AOs), to provide him with a full report, which shows that they have discharged their responsibilities, as outlined in the Accountable Officer letter that was issued at the beginning of the year. These were due to him by 20th December 2019:

"I then take that forward as part of my 1-1 (meetings), and in conjunction with the Treasurer, I talk through if we have any areas where we think that there are limitations or failings in discharging the legal responsibility and fiducial requirements that you would

⁴⁹ Information received at a private briefing, November 2019.

⁵⁰ The Executive responded by email on 31 January 2019 that the PwC gave their view, 'which was based on some specific conditions that have been addressed for the 2019 Accounts. A report was provided to the RAC towards the end of last year addressing each point from the PwC report specifically'.

⁵¹ [PAC Public Hearing 23 September 2019](#)

want for good public services. So sometimes that will vary from your legal position, i.e. what is good practice versus what is a *de minimis*⁵² position and that forms part of their performance for the year.”⁵³

- 6.36 The PAC challenged the Chief Executive on the process as it was concerned with the independent verification of performance claims which might be made by an Accountable Officer, especially where the actions taken were not in the Treasurer’s or the Chief Executive’s realm of expertise. The Chief Executive responded:

“The Treasurer has different roles and responsibilities, as laid down by law, which require (him) to be satisfied outwith the PAO on finance and certain legal obligations around that. I have to confer. The Treasurer is independent of that process. That process needs the Treasurer to be able to feel comfortable and if there are any anomalies within that, then we have a route which is clearly laid down in law that we have to follow.”⁵⁴

- 6.37 Notwithstanding that the Internal Audit officers carry out an extensive review of the Governance Statements submitted by Accountable Officers⁵⁵, the PAC considers that a random sample of the evidence provided by the AOs could be investigated and subjected to independent⁵⁶ verification, thereby making the process transparent and assuring the public that procedures and responsibilities were understood by all.



FINDING 10

There is a statutory obligation on each of the Directors General and the associated Accounting Officers (AOs), to provide the Chief Executive with a full report, which shows that they have discharged their responsibilities, as outlined in the accounting officer letter that is issued at the beginning of the year. This exchange of letters, together with the supporting processes and linking of this to the newly-implemented performance management process is welcomed.



RECOMMENDATION 10

The Chief Executive should ensure that sufficient independent scrutiny is performed of the supporting evidence for accountability letters, and that the verification process following this exercise is made public.

⁵² From Latin ‘about minimal things’ – inconsequential or insignificant matters - [Merriam Webster dictionary](#)

⁵³ [PAC Public Hearing with Chief Executive, Treasurer of the States and others 9 December 2019](#)

⁵⁴ [PAC Public Hearing with Chief Executive, Treasurer of the States and others 9 December 2019](#)

⁵⁵ comment submitted by email from Office of Chief Executive on 31 December 2019

⁵⁶ The PAC does not consider it to be within its remit to suggest which body should undertake this role.

Section 7 - Conclusion and Next Steps

Conclusion

The PAC was pleased to see the progress that had already been made in many areas. Whilst it has identified a number of issues for potential improvement and noted that much work is still to be done, it is clear that the Government of Jersey has now taken on board the findings of the C&AG and is beginning to address them. The PAC is supportive of the need to invest in financial management but clear that investment decisions need to be properly driven through the business case process, with clearly articulated outcomes in advance; project-managed effectively during delivery; and, measured against the original agreed outcomes in order to ensure that it delivers the expected benefits for the people of Jersey.

Next Steps

The PAC will continue monitoring progress throughout 2020 and will hold quarterly hearings with the Chief Executive throughout the coming year, as well as public and private briefings with other Accountable Officers and senior members of the Treasury Team where appropriate.

Financial Management

<p>model, with input from user departments, to ensure that the full benefits of the new model are secured.</p>	<p>having commenced in May 2019</p> <p>Finance will provide enhanced strategic insight by embedding finance business partnering and conduct a structured post-implementation review of the model to ensure that the full benefits are being realised by 31/12/2020.</p>		
<p>R3 Ensure that standard objectives for financial management are set for all staff with financial management responsibilities at each grade.</p>	<p>The current Interim Behaviours Framework contains Core Leadership Accountabilities, including the following for Finance and Performance:</p> <p>"Be responsible for significant delegated budget and resources, ensuring they are allocated effectively for the delivery of intended outcomes, ensuring value for money and compliance with relevant policies and guidelines."</p> <p>https://soj/Employees/InterimBehavioursFramework/Pages/TierTwo.aspx#anchor-2</p> <p>People Services are working on a new Behaviours Framework link to our core values and as a result the Core Leadership Accountabilities will be reviewed in 2020 once all department target operating models have been completed.</p>	31/12/2020	Head of Organisational Development and Learning
<p>R4 Monitor the completion of staff appraisals and take prompt corrective action where necessary.</p>	<p>My Conversation My Goals, the employee appraisal scheme, is monitored quarterly and data is sent to departments to allow the department to act on.</p> <p>The People Services team continue to work with departments to improve and</p>	Ongoing continuous improvement	Head of Organisational Development and Learning

Financial Management

	embed the appraisal process and systems.		
R5 Prioritise a review of financial management training for non-financial managers.	<p>A Finance for Non Finance Managers Strategy is being developed to be published in December 2019.</p> <p>In addition, finance courses are available on the new My Development portal available to all staff.</p> <p>An implementation Plan will be developed for the Strategy in early 2020.</p> <p>A training plan has been developed for the new Public Finance Manual and training for non-finance teams has begun.</p> <p>A module on the Public Finance Manual will be included in the new Corporate Induction for all new staff and there are plans to develop more detailed financial management induction training for budget holders.</p>	<p>31/01/2020</p> <p>By 31/03/2020</p> <p>Complete</p> <p>01/01/2020</p>	Group Director, Strategic Finance
R6 Ensure that, as part of the new corporate arrangements for monitoring the implementation of recommendations, arrangements are put in place to facilitate reporting back to relevant Scrutiny Panels on progress in implementing recommendations that they have made.	<p>The database is being developed and refined. Once this has happened and reporting is embedded the database will be extended, over the course of 2020, to include all outstanding and relevant recommendations from Scrutiny Panels. Report formats are being prepared to summarise the data in digestible form.</p> <p>First reports provided to Corporate Strategy Board and Public Accounts Committee</p> <p>Include relevant and outstanding Scrutiny recommendations in database</p>	<p>31/12/2019</p> <p>30/06/2019</p> <p>31/12/2019</p>	Chief of Staff

	Broaden reporting to include relevant and outstanding Scrutiny recommendations in database		
<p>R7 Enhance the arrangements for the scrutiny of existing expenditure, including:</p> <ul style="list-style-type: none"> development of a programme of zero-based budget reviews; and ensuring that savings are identified in sufficient time that no unidentified savings are included in the Government Plan when lodged. 	<p>The 'One Government' reforms aim to modernise how we're structured and organised, so we can improve the quality, efficiency, effectiveness and value for money of our services for islanders.</p> <p>This is closely aligned to commitments in the Government Plan to modernise government through ongoing initiatives and themes, for example:</p> <ul style="list-style-type: none"> improved financial and performance monitoring and management; more robust risk management; and using a wider range of evidence and best practice. <p>This area is considered in the Plan alongside investment in other CSP priorities, and will likewise be monitored in a similar way moving forwards.</p> <p>A programme of zero-based budget reviews (ZBB) will be implemented in 2020, to include the development of a suitable approach for the GOJ and the upskilling of Business Partners in this critical area.</p> <p>Carrying out ZBB for an organisation the size of the GOJ will take time to embed and iterate, including the development of data on cost drivers to inform the process, but we expect that ZBB will begin to inform the 2021, with</p>	<p>31/12/2020</p> <p>31/12/2021</p> <p>Government Plan 2021-2024</p>	<p>Treasurer of the States</p> <p>Chief Operating Officer</p>

	<ul style="list-style-type: none"> Operational revenue savings <p>A private briefing will be scheduled to discuss the Office Modernisation Programme business case with PAC and CSSP.</p> <p>This will be the first stage of a wider Estates strategy intended to deliver a corporately managed efficient sustainable and commercial public estate that is scheduled for completion in Dec 2019.</p> <p>Therefore, in less than two years, the Chief Executive has ensured that there will be significant progress on these key priorities, which has again been outlined to the PAC in previous sessions and submissions.</p>		
<p>R9 Annually report on compliance with the resourcing principles.</p>	<p>The preparation of the Government Plan included presentation of proposed financial principles to COM, as well as their agreement. These included consideration and inclusion of the recommendations by the Fiscal Policy Panel.</p> <p>Part 3 of the Government Plan clearly sets out these principles and includes a statement regarding their use in the preparation of the Government Plan.</p> <p>To ensure that the document was accessible a detailed analysis of compliance was not included in the Plan itself, but we will consider publishing this separately and in future Government Plans.</p>	Government Plan 2021-2024	Treasurer of the States
<p>R10 Following adoption of the Government Plan, ensure that the proposed formal review of</p>	<p>The review is underway and has been driven by SPPP Strategic Planning and</p>	31/12/2019	Director of Corporate Planning and Performance

Financial Management

<p>the preparation of and engagement around the Plan is comprehensive and completed in sufficient time to inform the next Government Plan.</p>	<p>Performance. This has involved one-to-one interviews with stakeholders and participants in the Government Plan across all departments and levels, including non-Ministerial Departments. The results of this are currently being collated and will be part of the planning process for the next Government Plan.</p>		
<p>R11 Reconsider the scope for budgeting for impairments.</p>	<p>Impairments of receivables are already reflected in the Government Plan, both in General Revenues and within Department cash limits.</p> <p>The main driver of impairment of fixed assets is the annual valuation of infrastructure and property assets, which can fluctuate and is driven by many factors outside of our control and cannot be estimated reliably.</p>	<p>Complete</p> <p>Reconsider scope in advance of Government Plan 2021-2024</p>	<p>Director - Performance, Accounting and Reporting</p>
<p>R12 Prepare, adopt and monitor implementation of a plan to improve the quality of reporting of non-financial information both externally and internally.</p>	<p>In January 2020, the 'Jersey Standard' will be launched, setting out -</p> <ul style="list-style-type: none"> • key principles to ensure a robust approach to performance across government • a consistent approach to measuring performance using the Outcomes-Based Accountability (OBA) model • a coherent structure to report performance data from across government • transparency of government performance and impact <p>A key feature of the Jersey Standard is a suite of</p>	<p>31/01/2020</p>	<p>Director of Corporate Planning and Performance</p>

	<p>performance scorecards covering outcome <i>indicators</i> and service performance <i>measures</i>. An ongoing 'Data Development Agenda', underpinned by a metadata framework, will continually improve the scorecards as new data requirements are identified and implemented. Data quality and audit will be overseen by a new Jersey Standard Governance Group.</p> <p>Key remaining milestones include –</p> <ul style="list-style-type: none"> • Briefing to Council of Ministers: November 2019 • Governance Group established: November 2019 • Jersey Standard scorecards signed off: December 2019 • Reporting process and schedule finalised: December 2019 • OBA Training Plan: roll out from January 2020 • Communications Plan: roll out by January 2020 • Jersey Standard performance scorecards published on gov.je: January 2020 • Recruit two new posts to Performance Team in Strategic Policy, Planning and Performance Department by April 2020 <p>Implementation will enable the Executive Management Team with a strategic view of Government operations on a quarterly basis, collating dedicated financial, risk, performance and people</p>		
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	information to inform decision-making.		
<p>R13 Ensure that there is:</p> <ul style="list-style-type: none"> widespread engagement on and effective challenge of the proposals for an integrated technology solution; and effective project management of its implementation <p>so that the full benefits of a significant investment are secured and risks in implementation minimised.</p>	<p>In September 2019 responsibility for an integrated technology solution transferred from Treasury & Exchequer to the Chief Operating Office. The Chief Operating Officer is the Senior Responsible Officer (SRO) for the programme.</p> <p>The SRO will be supported through the establishment of a programme office to assure robust governance is consistently applied. The team will ensure that an effective communication strategy is in place and that stakeholders are actively engaged. As the programme moves towards the implementation phase, this will include the establishment of various subject specific working groups which will include a broad representation from impacted areas including non-Mins.</p> <p>A Steering Group comprising of both subject matter experts and business users has been formed, with its first meeting held in mid-October 2019. The Steering Group will include independent external expertise.</p> <p>In addition a Ministerial Oversight Board will be established in order to provide challenge, insight and guidance.</p> <p>The first phase of the Programme will be to select a procurement partner and this is expected to be completed by January 2020. Phasing for</p>	<p>Commencing in October 2019 and ongoing throughout the life of the programme.</p> <p>End of January 2020</p>	<p>Chief Operating Officer</p> <p>Chief Operating Officer</p>

	the remainder of the Programme developed in conjunction with the procurement partner.		
R14 Adopt States-wide standards for obtaining assurance on the integrity of key spreadsheets used for accountability and decision making.	<p>The move to standard processes and new technology will reduce the historic dependence on spreadsheets, which will in turn reduce the requirement in this area.</p> <p>However, in the meantime and where spreadsheets are still required in the long run, the Analytics and MI Centre of expertise will lead on developing suitable assurance based on the level of decision making informed.</p>	31/12/2020	Treasurer of the States
Financial Directions R15 Develop and implement an overarching framework for establishing, communicating and monitoring compliance with corporate standards in areas other than finance.	A cross-departmental governance group has been established which aims to document the entire corporate governance framework of the Government and States and identify gaps for further work. This framework will include areas such as Human Resources and Information Security standards and codes of practice. The intention is to publish the framework in the same way as the Public Finances Manual will be made available.	31/12/2020	Treasurer of the States and Director General of Strategic Policy, Planning and Performance
R16 Establish robust arrangements for consultation with users, including those in Non-Ministerial Departments, on finance modernisation setting out a framework to determine: <ul style="list-style-type: none"> • when consultation will take place; • with whom it will take place; • how it will take place; and 	Development of the Public Finances Manual to date has included internal consultation, where Directors General were asked to seek the views of users within their departments. This arrangement will now be formalised through a PFM (Public Finances Manual) Steering Group which will include a user representative from both Ministerial and Non-Ministerial Departments. This Group, including user representation, will be used to	31/12/2019	Treasurer of the States

Financial Management

<ul style="list-style-type: none"> • how user views will be considered. 	<p>approve both new sections and amendments to existing sections on a permanent basis.</p>		
<p>R17 Ensure that agreed management action detailed in this report is taken before finalising the PFM.</p>	<p>The agreed management action has been completed:</p> <ul style="list-style-type: none"> • Briefings to departmental SLTs (Senior Leadership Teams) is almost complete • Risks have been reinstated in the PFM • The PFM includes detail of the process for approving amendments and new sections • User representation is being formalised (see R16 above) • Once the PFM is published on www.gov.ie it will allow the Manual to be searched • A training plan has been developed. • Online induction training is well advanced. • A communications plan has been developed and will be implemented when the PFM publication date is confirmed. 	<p>Complete</p>	<p>Treasurer of the States</p>
<p>R18 Ensure that the internet facilitates effective updating, navigation, searching and cross-referencing before using it as the platform for the PFM.</p>	<p>Once the PFM is published on www.gov.ie it will allow the Manual to be searched. Updates will be recorded sequentially online. Hyperlinks will be used to cross-reference sections.</p>	<p>31/12/2019</p>	<p>Treasurer of the States</p>
<p>R19 Ensure that robust training and communication plans are developed in good time for all major finance modernisation initiatives that require engagement with users outside Treasury and Exchequer.</p>	<p>For the PFM:</p> <ul style="list-style-type: none"> • a PFM (Public Finances Manual) Steering Group will include a user representative from both Ministerial and Non-Ministerial Departments • A training plan has been developed. • Online induction training is well advanced. 	<p>31/12/2019</p>	<p>Treasurer of the States</p>

Financial Management

	<ul style="list-style-type: none"> A communications plan has been developed and will be implemented when the PFM publication date is confirmed. <p>A similar approach will be adopted for any future finance modernisation initiatives that require engagement with users outside Treasury and Exchequer.</p>		
R20 Ensure that business cases are prepared for all exemptions to the mandatory requirements of the PFM and, in summarised form, routinely reported to the Risk and Audit Committee.	The breach and exemption process is being reviewed prior to launch of the PFM. Any requests for exemptions must be accompanied by full explanations. These will be scrutinised to consider whether any amendments are necessary to the Manual or associated policies, or whether additional training is required. Information will be reported in summary form to the Risk and Audit Committee.	31/12/2019	Director Risk and Audit
R21 Ensure that a formal annual review of the PFM is undertaken, drawing widely on the views of service departments and other central functions interacting with Treasury and Exchequer.	A timetable for review of each section of the Manual is being developed which considers risk, applicability (in terms of number of users affected) and financial value. This gives a frequency for each section ranging from annual to 3-yearly. Reviews will begin in 2020.	31/12/2019 From 30/06/2020	Director Risk and Audit Director Risk and Audit
Risk Management R22 Establish a clear timetable for finalisation of key governance documents for risk management and monitor delivery against it.	The timetable is now in place. Risk Management Strategy and guidance documents have been reviewed and scheduled for approval by the Executive Management Team and Council of Ministers by early November. Monitoring arrangements are set out in the Risk Management Strategy.	Complete Monitoring will be ongoing	Director Risk and Audit
R23 Prioritise recruitment of suitably skilled and experienced members of the	The new member recruitment advert closed on 27 September 2019. Six	30 November 2019	Director Risk and Audit

Financial Management

Risk and Audit Committee so that it can return to quoracy as a matter of urgency.	candidates applied and shortlisting took place on 8 October 2019. Interviews will take place in two tranches on 31 October and 22 November to ensure the Committee is returned to quoracy.		
R24 Develop, adopt and monitor implementation of a formal plan for finalising the Risk Management Strategy, Code and associated Guidance.	The Director of Risk and Audit has put plans in place to adopt and monitor implementation of the Corporate Risk Management Strategy and associated guidance. The strategy has been reviewed by the Executive Management Team and Council of Ministers and will be formally approved in October/November. The Strategy sets out the process for future review of the documents.	30 November 2019 Monitoring will be ongoing	Director Risk and Audit
R25 Finalise risk escalation arrangements for Non-Ministerial Departments.	This is an on-going discussion with Non-Ministerial Departments as to how they wish to adopt the Government's Risk management arrangements. An information session has been delivered to Non-Ministerial Departments on risk management and the arrangements within Ministerial Departments. We would hope to conclude these discussions before the end of 2019.	31 December 2019	Director Risk and Audit
R26 Develop, adopt and monitor implementation of mechanisms to capture and share experience of departmental training initiatives across the States.	This is being undertaken through the Departmental Risk Group (DRG) and a series of peer reviews / inter-departmental learning sessions. The DRG links back in to the Departmental Senior leadership teams and Executive Management Team and will identify any cross-cutting themes. Assurance will be provided through	Beginning following DRG meeting on 28 October 2019	Director Risk and Audit

Financial Management

	Internal Audit reviews of departmental arrangements.		
R27 Develop, adopt and monitor implementation of structured arrangements for peer review of departmental risk registers.	Peer review arrangements will be finalised at the Departmental Risk Group meeting on 28 October 2019.	Beginning 28 October 2019	Director Risk and Audit
R28 In implementing revised arrangements for risk management, focus on steps to secure cultural change within the States' workforce to embrace risk management as an integral tool of management, including capturing and sharing of learning.	An independent Risk Maturity Assessment will be undertaken in 2020. We will monitor cultural change through the DRG, an early assessment of what positive culture looks like was carried out at the August DRG meeting. Further evidence of changing practice will be ascertained from Internal Audit review of risk management arrangements and feedback from DRG. Internal Audit review will be scheduled for early 2020.	April 2020	Director Risk and Audit
Internal Audit R29 Review and update the job descriptions for key officers, including the Chief Executive, Treasurer of the States, Director of Risk and Audit and Chief Internal Auditor to ensure that they adequately support the operational independence of the Chief Internal Auditor.	The Public Finances Manual includes a number of reporting arrangements that safeguard the operational independence of the Chief Internal Auditor. Job descriptions will be reviewed and amended as considered necessary.	30/6/2020	Treasurer of the States
Management of the finance modernisation initiatives R30 Periodically review internal capacity and capability within Treasury and Exchequer to sustain the delivery of key corporate activities.	The Treasury and Exchequer Senior Leadership Team is implementing revised Terms of Reference, which will include a specific meeting to consider Transformation initiatives, including the resourcing and prioritisation of initiatives. This will also feed into the annual Business Planning process.	31/12/2019	Treasurer of the States
R31 Implement consistent and clear arrangements for the planning, management, resourcing and governance of	The Treasury and Exchequer Senior Leadership Team will have a meeting dedicated to Transformation, which will	31/12/2019	Treasurer of the States

Financial Management

<p>all elements of finance modernisation.</p>	<p>consider all modernisation initiatives across the department. This will be supported by suitable programme governance, including consistent reporting templates in line with corporate requirements of the CPMO operating within the COO.</p>		
<p>R32 Establish arrangement to report transparently, consistently and on a timely basis on finance modernisation initiatives.</p>	<p>The costs of the Finance Transformation Programme to date have been tracked in line with budget responsibilities.</p> <p>This has been generally limited to the cost of external support to the main programme, as internal resourcing was funded from within existing budgets on a secondment basis. This was a pragmatic solution during a period of great change, including a fundamental restructure of services.</p> <p>Part of transformation is a change in culture, including a move to a department which seeks to continuously improve and transform. There are already a number of initiatives delivered outside of the core programme, such as the Faster Close of the Accounts, the development of the public finance manual and the ongoing development of Risk Management. Some of these have led to additional costs, such as additional audit fees.</p> <p>Moving forwards, we plan to ensure that all incremental, one-off costs of the transformation are captured, including both external costs, and the cost of secondments</p>	<p>31/12/2019</p>	<p>Head of Finance Transformation</p>

	to distinct transformation roles. As the new TOM embeds, BAU teams will deliver increasing amounts of transformation, for example the Analytics Centre of Expertise. These costs will be captured as part of the core costs of the department, as it is not practical with our current systems to try to allocate these costs. Where transformation leads to a change in ongoing costs (for example additional software licences for new tech), these will be considered as part of assessing net benefits of the transformation itself.		
R33 In implementing the other recommendations in this report and in implementing finance modernisation, carefully consider the need to adapt the approach for Non-Ministerial Departments, including in relation to the support provided.	Once the C&AG's report on Non-Ministerial Departments has been received the recommendations will be considered and further actions planned if necessary. The Treasurer will carry out a review of the level of finance business support provided to the Non-Ministerial Departments.	31/12/2019 31/12/2019	Chief of Staff Treasurer of the States

Recommendations not accepted

	Recommendation	Reason for rejection
	None	



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