



## **PUBLIC ACCOUNTS COMMITTEE**

### **Grants to Canbedone Productions Review**

**MONDAY, 16th DECEMBER 2013**

**Panel:**

Deputy T.A. Vallois of St. Saviour  
Senator S.C. Ferguson  
Deputy R.J. Rondel of St. Helier  
Deputy G.C.L. Baudains of St. Clement  
Mr. I. Ridgway (Independent Member)  
Mr. R. Parker (Independent Member)  
Ms. K.J. McConnell (Comptroller and Auditor General)

**Witnesses:**

Treasurer of the States of Jersey  
Former Chief Internal Auditor

[12:49]

**Deputy T.A. Vallois of St. Saviour (Chairman):**

If I can just welcome you to the Public Accounts Committee and also ask that witnesses introduce themselves to P.A.C. (Public Accounts Committee) and we will do so in return. Can you introduce yourselves please.

**Deputy T.A. Vallois:**

Thank you very much. Just to make you aware of the privileges and immunity of witnesses, if you are happy with that information.

**The Treasurer of the States:**

Yes, thank you, Chairman.

**Deputy T.A. Vallois:**

Just to make it quite clear in opening this hearing, this is about the process of grant giving which is on the basis of P.A.C. 2, 2013, which was our report on a £200,000 grant to a film company. So I'll open up by asking the Treasurer, having now read the P.A.C.'s report and the related confidential internal audit report of 7th November, how would you describe the Economic Development department's due diligence and the quality of their record keeping concerning the Canbedone grant?

**The Treasurer of the States:**

So with regard to the due diligence and record keeping, Chair, I think that always with the benefit of hindsight I think we'd all wish we had kept documents, papers, supporting evidence from time to time, and certainly one of the findings from the P.A.C. report and from the internal audit report which I requested when I first saw the Canbedone Production's item appear in the newspaper. Certainly both of those reports have identified ways in which that record keeping could have been improved, particularly in relation to due diligence. That is something that I have discussed with the Chief Officer for Economic Development and with the benefit of hindsight he is agreeable that some improvements can be made with regards to record keeping. As we look ahead I think that Canbedone Productions is an interesting example of the kind of challenges we are likely to face now that we have a £5 million Innovation Fund. I do not know if you have particular questions around that for me, Chairman, but ...

**Deputy T.A. Vallois:**

No, we are trying to focus purely on the follow up of the Canbedone grant, if that is okay, Treasurer, because we have only got a short period of time, so we have key questions we need to get through.

**The Treasurer of the States:**

If I may, if there is time at the end, there are one or 2 comments about the Innovation Fund because we are not used, as an organisation, to carrying the sort of level of risk that is associated with the Innovation Fund and with grants of this sort. So I do think that Canbedone Productions experience has something to tell us about how we need to prepare best for how we manage the Innovation Fund and some of the issues that we are likely to face around that, because there are risks associated with this sort of activity and the sort of rewards that we are trying to attract as an organisation to the Island don't come without risk. We are not used to living with that and I do think we are going to have to have a discussion to make sure that members and officers alike are

really understanding and facing up to the risks that are faced by particularly Economic Development, in trying to oversee activities of this sort.

**Deputy T.A. Vallois:**

I think the question that comes into my mind from that answer, Treasurer, is the quality and clarity of financial directions in that case. We do give out £38 million in grants a year so I do have to ask, in terms of the clarity and the quality of the financial directions for chief officers to follow, would you say they fall short?

**The Treasurer of the States:**

No, no, I wouldn't Chair, I wouldn't say that the financial directions fall short. I would say that the Chief Officer for Economic Development did raise, as we know, he raised the point about was there absolute clarity as between an element of one financial direction and an element of another financial direction. And to avoid any further confusion around that we have made an amendment. So no I think the financial directions are clear and strong and provide a very robust framework within which to operate. From time to time there may be a necessity, as there has been in this case, for us to do more training and development of staff who are not familiar with the full suite of financial directions and that is understandable, but certainly it was the point raised by the Chief Officer of Economic Development that he found there was some confusion between 2 elements of 2 financial directions and I accept that perspective because clearly he would not have said it if he had not felt it. And we have responded to that appropriately I believe by making an adjustment and we have been through that together and we believe the changes are now very fair.

**Deputy G.C.L. Baudains:**

You spoke about moving forwards and in the future making investments in future products where we have to agree that there is some element of risk but, of course, in these products there is bound to be, and some you win and some you lose, but surely this ... what we should be focusing on here is a process by which you arrive at the decision as to whether or not a grant or whatever process you are going to use is appropriate. I am just a little bit concerned that we are moving away from the process that takes you there in the first place.

**The Treasurer of the States:**

Well, I would not ... certainly we do expect departments to live within financial directions and to therefore stay within the process as you say, Deputy Baudains. So we do expect people to live within the process, we do expect people to stay in the net and indeed where it is necessary to vary from that, we do have mechanisms for recording it, because with the best will in the world you will never get financial directions to cover all eventualities and all circumstances. So from time to time it is necessary to seek exemptions from financial directions and we have a process for doing that

as well. So I believe the process is robust and strong enough notwithstanding the adjustment that we have made at the Economic Development Department's request. I do, however, think that when we move forward with the Innovation Fund we have still got work to do around really ensuring that people fully understand, and I mean members and officers, fully understand the risks that are associated with that sort of activity. It is not something we are used to. We are used to paying grants out to voluntary bodies, charitable bodies to deliver a particular set of services back to us. We are all very comfortable with that and the financial directions cope very well with it. We are less used to saying: "We need to attract more investor business, higher value, low footprint business into the economy and in order to do that we want to put some incentives out there." Now, when we do that there is every possibility, it is more likely than not, that we will lose that money. It is not the same as the sort of value for money that you are used to seeing delivered when you go to, I don't know, Mencap or a similar body and say: "Deliver these services for us, Barnados, and we will pay you this amount of money." It is not that kind of subsidy.

**Deputy T.A. Vallois:**

I think we understand the area in terms of grant giving for incentivisation. I mean it has been a catch line of the Economic Development's for the 5 years I have been in the States anyway.

**Deputy G.C.L. Baudains:**

Taking Canbedone as an example, it is not a question of whether the film is a success or even whether the film will be made, it is the process leading up to that.

**Deputy T.A. Vallois:**

Giving the money out. That is what we are asking around, is mitigating the risks in terms of giving the money out in the first place.

**The Treasurer of the States:**

I think the audit report has identified those areas, Chair, where the Economic Development accept - you have seen their responses - that they need to tighten things up. We would support them in that.

**Senator S.C. Ferguson:**

Basically what we are faced with is a situation where, would you say, the financial directions are not adequate to cover the situation?

**The Treasurer of the States:**

No, I do not believe that. I think there was some confusion among some officers in Economic Development in relation to the interplay between 2 financial directions in particular. It has never been an issue previously and it has not been an issue since.

[13:00]

We have, nonetheless, made a small adjustment to the financial directions to accommodate that so that the confusion cannot arise a second time but that was a very small point.

**Mr. R. Parker:**

Can I just a few questions? What I am hearing appears to be that you have a tick box culture and in relation to taking risk, I have no problem obviously about people taking risk but that relates to the competency and common sense in making those decisions and that process rather than following sort of tick boxes. If you were looking at a commercial organisation there are various basic principles related to standard contracts, having things up in place in advance of handing out the money and I always thought those were pretty basic. So the question is: what level are you expecting people who are at these financial directors as such, the senior officers, within the States to be able to evolve into a modern world related to being able to take risks and take the appropriate action rather than ticking every single piece of paper and looking at where there are ... taking out the risks, because there are risks in these situations. What we are talking about here I think are really quite basic.

**The Treasurer of the States:**

There are risks in these situations. When you say a tick box approach, Mr. Parker, we are spending public money so we are very accountable for that and we're not in a position where we are risking our own money, we are risking public money. So it is fine for the private sector because the private sector will take a punt on a particular activity and see a profit and they will be prepared to chase to it. Well that is fine but that its not fine for a public body. It is not fine with taxpayers' money because the risk and the reward are not going to the same place. In the private sector the risk and the reward are going to the same place, in the public sector they are not. The risk is with the taxpayer. So we have to be very mindful of what we are doing. It may be that the response to the ... for the £5 million Innovation Fund a separate board has been set up in order to manage that process. Certainly when we want to run risk in the private sector and we want to run high level risk in the private sector then the States has a good record for transferring its activities into the private sector so that that can happen. A good example of that would be Jersey Telecom, Jersey Post, Jersey Water, Jersey Electricity and so on. So it is not always appropriate ... I do not think a public sector organisation is necessarily the right place for running private sector risks.

**Senator S.C. Ferguson:**

But Jersey Water and Jersey Electricity were purchases by the States; they were not the States getting rid of business into the private sector.

**Deputy R.J. Rondel:**

Following on from what you said, and thank you for that, I understand that, but probably on a grant like this the private sector or commercial enterprise would not have even entered into putting their own money in it the risk was probably too high, whereas you were saying that because it is public money it was even a tighter control.

**The Treasurer of the States:**

It depends where the risk and the reward ... what risk and reward are anticipated. If the States is going to increase its footprint, its business activity on the Island then the States may need to put incentives out there as other jurisdictions do to attract businesses and companies into the Island and to create new and different businesses on the Island so as to diversify away from financial services in the way in which the economic growth strategy envisages. So that is the sort of direction of travel that the States is wanting to go. In so doing there will be risks if businesses could operate entirely free of support or subsidy from the States of Jersey then I suspect they would probably do that without ... if they were entirely free to go and get a loan at a competitive rate from a bank or a building society or equivalent financial institution then I expect they would be willing to do that also. So the difficulty is, and this is always the case, and I have long worked in organisations where economic development has been a very very big part of the activity, not least Birmingham, which many moons ago people were criticising because it was setting up an airport. I do not think anyone would criticise them now. They were criticised because they were setting up the Hyatt Regency Hotel with a subsidy. They were criticised for all sorts of activities ...

**Deputy T.A. Vallois:**

I think we understand that there are risks in anything that we do. We have never doubted that and we have never complained about having to achieve something but what we are arguing ... well, we are not arguing, what we are asking is about the process in terms of our taxpayers' money and where that money's gone and how that process was done in order to get to where we are now. So it is okay for us to talk about other areas and the risks and we are very much aware of those. If I can clear up on this particular area of questioning so we can move on, because 1.30 p.m. coming down on us fairly quickly, in terms of the overall questioning of the financial directions in this area, would you therefore say that E.D.D. (Economic Development Department) fell short of complying with financial directions?

**The Treasurer of the States:**

Only insofar as is clearly set out within the audit report and in having regard to that you also need to take account of the responses that Economic Development have given to the points raised in the audit report. But I do believe the points raised in the audit report, being the internal audit report, are fair and we've had constructive meetings with the Chief Officer and his team to discuss the findings from that audit report and I am satisfied that they accept there have been some shortcomings in the process but they are prepared to address those and that is what I would expect. I wouldn't expect to pillory them.

**Deputy R.J. Rondel:**

Based on the content of both reports, how confident are you that the grant monies were spent in Jersey?

**The Treasurer of the States:**

We have not done enough work within internal audit to be able to verify that.

**Deputy T.A. Vallois:**

But the internal audit and also the P.A.C. Committee's reports stated that there wasn't sufficient evidence to suggest that money was all spent on Island as per the ministerial decision.

**The Treasurer of the States:**

I haven't checked, I have you my answer Chairman. We have not done enough work within internal audit to verify to the level of detail that your question is demanding of me. That would be wrong of me to speculate. It was not part of the scope for the audit.

**Deputy T.A. Vallois:**

It is mentioned in the internal audit report.

**Deputy R.J. Rondel:**

It is mentioned in the internal audit report. It has been difficult to ascertain from the records whether the majority of expenditure was used on Island. So you did not come to conclude ...

**The Treasurer of the States:**

We haven't pursued it to try and nail down exactly where all of the money was spent.

**Deputy R.J. Rondel:**

If that was the case would it be a concern?

**The Treasurer of the States:**

Would it be a concern?

**Deputy R.J. Rondel:**

Being that that was the contract?

**The Treasurer of the States:**

If we were going..... I do not think we have seen the end of the story yet with Canbedone Productions and I think ...

**Deputy T.A. Vallois:**

Is it not concerning that although it was stated in a ministerial decision that monies were to be spent on Island that the department are unable to demonstrate that those monies were spent on Island?

**The Treasurer of the States:**

I think you'd better ask the Chief Officer that question, Chairman.

**Deputy T.A. Vallois:**

Would you expect that in terms of financial value for money in the States? Would you do that yourself? If you had to sign off a ministerial decision for your Minister for monies to be spent on Island, would you demonstrate to your Minister that those monies had been spent on Island?

**The Treasurer of the States:**

Would I demonstrate that it had? I would certainly intend it to be so when the ministerial decision is first taken then absolutely. I am sure the Chief Officer for Economic Development would intend that what was set out in the ministerial decision for the Minister for Economic Development would similarly deliver what was promised. So certainly within Treasury, and I am sure it is the same within Economic Development, where we are setting out ministerial decisions we do intend them to be carried out in the way that's set out.

**Deputy R.J. Rondel:**

And you'd have checks and balances along the way as that materialised?

**The Treasurer of the States:**

Can you absolutely always guarantee that everything had turned out precisely as originally envisaged in an activity like this? No.

**Deputy T.A. Vallois:**

But would you put something in a ministerial decision that is not measurable?

**The Treasurer of the States:**

I suppose this is going to my earlier point, Chairman, that there are risks associated with this. It is not the sort of grant that, to give my example earlier, when you are paying a grant over to a charitable body they are going to deliver a particular set of services for you for a particular group of people. This grant was never that certain in terms of its outcome, so, I think it was certain in terms of its intent, its intent was to attract the Canbedone Productions company to the Island to try and secure added value for the Island by having the initial work, people physically located here and he initial work, being done here. But really it is a sprat to catch a mackerel. It is intended to attract the production company here to carry out more of their business than the grant supports.

**Deputy G.C.L. Baudains:**

Would you not think it is a cause of concern that the internal audit was not able to ascertain whether the money was spent as per intention or not? Surely that is a core issue. The money was due to be spent in a certain way but internal audit was not able to prove that one way or the other. I would have thought that would have been a cause for some concern.

**The Treasurer of the States:**

I think that's fair, Deputy Baudains, and those concerns have been set out in the audit report. I am not sure what I can add to what I have said already..

**Deputy T.A. Vallois:**

Okay. We'll move onto....

**The Treasurer of the States:**

I think there are ... this is the sort of grant where there are risks associated with it, where it is trying to attract business to the Island and there are some weaknesses in the process that was carried out in making those grant payments over. Those weaknesses have been set out in the audit report. We have discussed with the Chief Officer all the details of that. I have been satisfied with the responses that have been forthcoming in relation to how those weaknesses would be addressed vis-à-vis other grants of a similar sort. Similarly the Chief Officer has expressed to me the concern that you have mentioned about was there a lack of clarity between 2 small aspects of 2 financial directions? Well, possibly. For the avoidance of doubt we have clarified that. So I think that is where we are.

**Deputy R.J. Rondel:**

Looking at the internal audit and some of P.A.C.'s findings, would you agree that E.D.D. attempted to hand over public money to Canbedone before the department had a formal contract in place with that company?

**The Treasurer of the States:**

That is one of the findings, Chairman, from the audit report.

[13:15]

**Deputy T.A. Vallois:**

Okay, and what processes will be put in place to ensure that there is a properly constituted contract in place before any public money is handed over?

**The Treasurer of the States:**

Well that is a requirement, it's a requirement within the grant instructions that there should be a memorandum of understanding or equivalent document to set out what's expected in return for the balance being paid over. So that is an area where improvements could have been made in this case. That is accepted by the department, by the Economic Development Department.

**Deputy G.C.L. Baudains:**

Who is responsible for creating contracts, because I get the impression, not only with regard to this department but other departments as well, in a number of cases contracts are not appropriate for the task they are intended to look after? Is there any one simple focus on contracts generally or are they departmental specific?

**The Treasurer of the States:**

In relation to grants? Contracts in relation to grants?

**Deputy G.C.L. Baudains:**

Well I'm just talking about contracts generally. Obviously it includes grants.

**The Treasurer of the States:**

Well we certainly expect the finance director within the relevant department to be very mindful of applying the relevant grant instructions to the grants that are being paid out. So we certainly expect that. We have got grants ... we regularly review grants as part of our normal internal audit process anyway and we have some time within this year's audit to do that. It is a lot of money that goes out, it is getting on for £40 million a year in total that gets paid over in grants, but, bear in

mind, of course, that the lion share of that goes to the schools and so that is a very substantial proportion of those monies go out to the schools and they are accounted for within that envelope of grants. We do follow up the relevant department's follow up in terms of the outcomes that have been achieved with the grant monies that they have paid over. We published the accounts for the ...

**Deputy G.C.L. Baudains:**

Who makes certain that the contract is fit for purpose? Because, not only here but in other areas I have seen contracts with too many holes in them for my liking.

**The Treasurer of the States:**

That is a matter for the relevant department and to seek advice on the form of contract when they need it, which they can either get ... well, they could, if they so chose, go to the Law Officers Department for that. So there is plenty of advice there around forward contract. I think we have to be mindful that our financial directions are there to deal with £250 to the Jersey Netball Association and £200,000 to Canbedone Productions. So our finance directions vary a little according to the amounts of money that are being spent and how they are being spent.

**Deputy T.A. Vallois:**

It is important, is it not, that the contract has clarity in it in terms of ensuring when you get value for money?

**The Treasurer of the States:**

Absolutely, yes.

**Deputy T.A. Vallois:**

So would you not agree that the Canbedone contract at E.D.D. there was 4 triggers for the payment and that the clawback clause may not have been enforceable?

**The Treasurer of the States:**

Again we would suggest.... well we..... that is a point where Law Officers' advice should be sought on that point. The operation of a clawback clause and that sort of trigger within a grant funding mechanism, it makes sense to have advice upon that in advance.

**Deputy R.J. Rondel:**

Would that normally be done?

**The Treasurer of the States:**

I would say that in relation to the Innovation Fund we are going to have to have ...

**Senator S.C. Ferguson:**

Yes, but we are not talking about the Innovation Fund, we are talking this.

**The Treasurer of the States:**

We are going to have to have more of those sorts of devices. The reason I say that, Deputy Rondel, is because the..... you do not normally need a claw back, you don't normally need an express clawback arrangement for a body that has been given a grant. We do not have a claw back arrangement with schools except insofar as there is some flexibility according to the number of pupils they have but we don't clawback in relation to under performance or anything of that sort.

**Deputy R.J. Rondel:**

But one was given in this ... sorry.

**Deputy T.A. Vallois:**

Yes, but this is a grant given to a private company. This is not a grant given to a public body. This is not a grant given to an association or charity or trust. It is a grant given to a private company with the intention of doing something for the benefit of the Island.

**The Treasurer of the States:**

That is why I say, Chairman, in relation to companies like this, and the Innovation Fund is the most likely route, then these claw back arrangements, where they are necessary to have, it would be necessary to have legal advice on them.

**Deputy R.J. Rondel:**

Should it not have happened in this case?

**The Treasurer of the States:**

It would have been better if it had.

**Senator S.C. Ferguson:**

It is fairly obvious, isn't it, that if it is outside Jersey then you need a claw back clause?

**The Treasurer of the States:**

It would have been, as I say, Chairman, better if it had but we are all sitting here with the benefit of hindsight.

**Mr. R. Parker:**

Sorry, the time that this contract was entered into one would have expected the due diligence to find out the financial worth and the money that was in the company from the other investor's as such, and therefore there would be an opportunity also to work out whether something like a claw back was even viable depending on what assets were held. The question is were there any other assets or was this effectively run through the grant?

**The Treasurer of the States:**

You will have to ask the Chief Officer that.

**Deputy T.A. Vallois:**

The Chief Officer of E.D.D.?

**The Treasurer of the States:**

Yes.

**Deputy T.A. Vallois:**

Okay. So could you just explain briefly and quite clearly to the Committee what action yourself as Treasurer will be taking in relation to responding to internal audit on their findings and recommendations and the P.A.C's Report 2, 2013?

**The Treasurer of the States:**

Well, the initial action I took as Treasurer, Chairman, was to get the internal audit report underway, and to commission the internal audit report. Subsequent action that I have taken includes extensive discussions with the Economic Development Chief Officer and the Chief Internal Auditor at the time to discuss the issues and the findings from that and also to agree the actions. We sent a comprehensive written response to your P.A.C. report and we have set out within that a range of things that the Treasury will do and that the Economic Development Department will do in response to your findings. And we will carry all of those out.

**Mr. R. Parker:**

You were saying there was a big difference between private enterprise and public and I can tell you that in the private sector people there will take risks but they do due diligence. They go into things and people's heads are on the block if things go wrong. And it is the quality of that due diligence rather than going through the motions, and, when I say a "tick box" it was going through the motions, and to avoid problems it is that culture of being able to really dig deep into something and to be able to make those decisions rather than running through standard procedures which then protect from someone not doing what would be considered to be standard within the private

sector. And, we are obviously concerned about risk very very highly indeed and that seems to be something whereby a lot of your responses about more procedures it's the quality of the way in which the questions and investigation is done, at the time, to which is the basis of the decision to have been made that I think is critical.

**The Treasurer of the States:**

I am very used to that, Chairman, so in relation to ... I am used to working with private equity companies in relation to investment and certainly though such companies are very well geared up to undertake the sort of in depth analysis that Mr. Parker refers to. I think it is an unrealistic expectation to have the level of, that level of, due diligence undertaken for every grant that the States pays out and I do believe it needs to be proportionate and level of due diligence **[Interruption]** That will be my taxi, I am sorry. The level of due diligence needs to be proportionate to the circumstances and the grant that is being paid out. I do think as an organisation that if we want to go forward positively with the Innovation Fund there is an awful lot that we should learn from this, and I do question whether, actually, we wouldn't be better finding a completely different route because I think that if we want the skills and expertise of a private equity house to operate in the way that Mr. Parker is raising then that is who we should employ to undertake the work. If we want to have criteria for..... which include social benefit, employment benefit and other such benefits then we should set those out, because at the moment it seems to me that we have a framework for the payment and administration of grants which has been set up for an express purpose, and it has served that purpose for a long time and it has served it very well. We now seem to be overlaying that grant process on to a completely different level of activity, carrying a completely different level of risk and I don't believe that that's well understood. I think we need to pause and rethink that.

**Senator S.C. Ferguson:**

I find this surprising because a lot of the due diligence that can be done can be done by one of your grade 13/14 managers.

**The Treasurer of the States:**

Not at all.

**Senator S.C. Ferguson:**

And, if I can finish, for instance there is quite a lot you can do with a basic Google. Basically, for instance, one of the gentlemen who was meant to be raising money for this particular project has just been in the middle of the court case because he just swindled some old lady out of £1 million, or \$1 million, I'm sorry. So there are simple things ...

**The Treasurer of the States:**

Well, I do not know if that is true and I am not going to comment on that here.

**Deputy T.A. Vallois:**

Can we just finally try and get 2 questions in very quickly if we can, please?

**Deputy R.J. Rondel:**

What role, Treasurer, if any, did you have in setting the scope of the internal audit report on this specific grant?

**The Treasurer of the States:**

I asked for ... I did have some role in that and I did set off a piece of work. I am conscious that John Richardson also set off a piece of work, but I did set off a piece of work. I don't like see the sort of coverage in the *Jersey Evening Post* that we were getting on one of our grants so I saw that and thought: "I need that to be reviewed" and I set that piece of work off.

**Deputy T.A. Vallois:**

Can I ask in terms of internal audit who it was that carried out the internal audit review?

**The Treasurer of the States:**

It was members of our internal audit team and I do not think it would be appropriate to name names?

**Deputy T.A. Vallois:**

I do not want names, I just wanted to know whether it was internal audit ... I know that sometimes we source ...

**The Treasurer of the States:**

Well they still count BDO as still of our internal audit resource.

**Deputy T.A. Vallois:**

So it was BDO that carried out the review on this or was it members of your audit team who carried it out the review?

**The Treasurer of the States:**

I think it was a combination, Chairman.

**Former Chief Internal Auditor:**

Internal.

**The Treasurer of the States:**

It was just internal.

**Deputy T.A. Vallois:**

Okay, just to confirm. Thank you. Finally ...?

**Deputy G.C.L. Baudains:**

I was just wondering, is it unusual that internal audit should question the reasonableness and accuracy of P.A.C. report given that the P.A.C. is answerable to the States Assembly? Can you assure us that this sort of thing won't occur again?

[13:30]

**The Treasurer of the States:**

I do not think that is what has happened, Deputy Baudains, so the internal audit report has been carried out. The fact that there have been some findings which are not the same as some of the findings within the P.A.C. report...

**Deputy G.C.L. Baudains:**

Well I wasn't actually driving at that...

**The Treasurer of the States:**

... is probably a reflection of the amount of time and effort that went in, the resource that was able to go in to the internal audit piece of work.

**Deputy G.C.L. Baudains:**

The P.A.C. made a report and I would expect internal audit to make a report and maybe they would agree in areas and maybe they would disagree in areas but it does seem to me in places the internal audit is commenting on the P.A.C. report.

**The Treasurer of the States:**

I don't think so Chairman.

**Deputy G.C.L. Baudains:**

It gives that impression.

**The Treasurer of the States:**

I am sorry if it comes across in that way. That certainly would not be our intention.

**Deputy T.A. Vallois:**

I would suggest that most of the internal audit report does base its work on the P.A.C. report and I would suggest that it's not right and proper for an internal audit to review a parliamentary committee that is answerable to the States Assembly.

**The Treasurer of the States:**

No, no, Chairman, that is not what we have done. I promise you that is not what we have done. The internal audit report has been done as a discrete and separate piece of internal audit work. It's in no way is it is intension or intended as a challenge at all to the work that P.A.C. has done, absolutely not.

**Deputy T.A. Vallois:**

But it has broadly supported the findings and recommendations that were made of P.A.C.

**The Treasurer of the States:**

I think there were a lot of similarities between the 2 but they have been carried out as 2 discrete pieces of work. I wouldn't dream of setting up an internal audit report to challenge something that P.A.C. had done. Also the work of internal audit is necessarily ... the P.A.C. work is going to be around the policy level and around higher level issues than some of the things that I would want the internal audit team to really dig into in terms of process and procedures and those sorts of issues. So please don't think that that was what was going on, it was not. It was straightforward, I saw a report in the newspaper, I thought: "Oh my word, we need to have a look at that because that will ... that needs to be reviewed."

**Deputy T.A. Vallois:**

Okay.

**The Treasurer of the States:**

I would never... I would not do that and it's not an appropriate thing for an internal audit to be instructed to do and I wouldn't dream of it. They are 2 parallel pieces of work with 2 different ... lots of commonalities but there were 2 different levels. For me the audit report needs to really get into the officer level detail, the processes, the financial directions and so on, whereas the P.A.C. would necessarily be at a higher policy level and would be looking out to what does this mean for other sorts of grants and other sorts of activities.

**Deputy T.A. Vallois:**

Okay. I am just bearing in mind the time so we will bring the session to an end. Thank you very much for your time.

**The Treasurer of the States:**

Not at all.

[13:33]