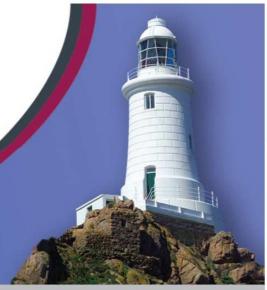




Scrutiny Matters



Public Accounts Committee Internal Audit Treasurer of the States

MONDAY, 2 JUNE 2014

Panel:

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

Senator S.C. Ferguson (Vice Chairman)

Deputy R.J. Rondel of St. Helier

Mr. I. Ridgway

Mr. J. Mills, C.B.E.

Mr. R. Parker

Witness:

Treasurer of the States

In Attendance:

Comptroller and Auditor General

Deputy Comptroller and Auditor General

[14:32 – Commencement and introductions]

Deputy R.J. Rondel:

If we start with the requirement of the Public Finances (Jersey) Law 2005, how do you satisfy yourself that Internal Audit discharges its responsibilities under the law?

Treasurer of the States:

That is quite a big question, Chairman.

Deputy T.A. Vallois:

It is quite a big ...

Treasurer of the States:

How do I satisfy myself that Internal Audit ...

Deputy R.J. Rondel:

Discharges its responsibilities.

Treasurer of the States:

... its responsibilities. In a number of different ways. So, first of all, by making sure that we have an appropriate audit plan and that we work to that audit plan, and that where we have variations from that audit plan we are clear as to the implications of varying from it and we have good reasons for varying from it. I satisfy myself by a number of informal ways as well. So, every quarter I meet with accounting officers together with their finance director and, as well as my own team who deal with the financial monitoring on a quarterly basis, I also invite the Chief Internal Auditor to that meeting, and have done so since the previous Chief Internal Auditor was in post. That tells me a number of things: first of all, it makes sure that the Chief Internal Auditor is appraised of what is currently happening with the monitoring information in each department. In the past there has been a danger that the Chief Internal Auditor has been a little bit distant from current events and what is presently happening, so for around about 2 years now, I have consistently invited the Chief Internal Auditor to join that meeting. I get feedback from my colleagues on the Corporate Management Board and from finance directors about the quality of the audit reports. When I was first appointed, there were disputes about the quality of audit reports between a previous Chief Internal Auditor and the chief officers that were in place at the time, and I was keen that we should move away from that. I was keen that we should move away from a position where audit reports were not being progressed on time or effectively as a result of a dispute between internal audit and departments.

Deputy R.J. Rondel:

This came when, sorry, Laura?

Treasurer of the States:

So that would be about 3 years ago, not long after I was appointed. So I satisfy myself by having the necessary frameworks in place. So, as you know, we have a financial direction that covers Internal Audit and how it should operate and what its responsibilities are. I could go on, Chairman. Is that enough to start with or are you looking for anything further?

Deputy R.J. Rondel:

Well, are you able to tell us which pieces of work particularly of Internal Audit in the last 12 months provided assurance that the public finances of Jersey were being supervised in accordance with that law?

Treasurer of the States:

Well, they all help so I would not identify any particular reports as being helpful. What is the most helpful to me is the overall framework of having an effective internal audit function in place, of having the Audit Committee in place, of having good working relationships with PricewaterhouseCoopers as our external auditor. So all of these things give me assurance, comments from the C&AG (Comptroller and Auditor General) as to the performance of the Internal Audit function. So I am interested in the whole framework, not an individual aspect of it, because all of these things contribute to good governance in the States.

Deputy R.J. Rondel:

So how would you determine the frequency with which individual non-ministerial bodies are subject to internal audit?

Treasurer of the States:

Individual non-ministerial bodies would feature in the Audit Plan and most of their activities will be covered by systems-based audit. So, for instance, non-ministerial bodies will be paying people so the controls over the payment of people will be covered in audit reports on payroll, which are done every year. Their accounts payable, in other words the payment of invoices, will also be dealt with every year. The receipt of income will be dealt with every year. So I get comfort by those sorts of systems-based audits which are done across the States and affect every department as well as from time to time individual testing that will be done within departments.

Mr. I. Ridgway:

Could I ask in connection with the law how you determine the time and frequencies of audits?

Treasurer of the States:

I do not determine the time and frequency of audits. The timing and frequency of audits is dealt with through the development of the Audit Plan, which is something that will be discussed with me and will be consulted upon with me. Things which are most important to me as Treasurer will be the large systems audits where we have hundreds of millions of pounds worth of transactions going through systems. I have mentioned examples, Chairman, of payroll, accounts payable, debtors, systems; these are things that I would expect to be done on an annual basis to make sure that those systems are operating effectively and, later, as we move towards a revision to our external audit approach whereby we will be having regularity opinion on our audit as well as the traditional opinion that we have, those audits will be even more important than they are now. But they have always been, for me as Treasurer, fundamental.

Deputy T.A. Vallois:

Can I ask you as the accounting officer: for the actual efficient and effective operation of the Internal Audit function, as I understand under financial direction 11.1 ... you brushed past the question about particular pieces of work that Internal Audit have done in the last 12 months that have provided assurance that the public finances of Jersey were being supervised in accordance with the law. Could you specify as an accounting officer ... you are responsible for the efficient and effective operation of Internal Audit so could you please specify what has provided you with assurance that the Public Finances (Jersey) Law was being supervised in accordance with that particular law?

Treasurer of the States:

Well, I do not believe I did brush past it, Chairman. I think what I said was that I regard all of the audit reports as important in that regard and I would not single out any individual report as giving me any more assurance or any less assurance than any other.

Deputy R.J. Rondel:

Do you know how many reports would have been carried out?

Treasurer of the States:

I did not bring that with me but I do have that as a record, yes. It is reported regularly to the Audit Committee.

Deputy T.A. Vallois:

So there is no one piece that you thought particularly that: "This has given me much more confidence as an accounting officer to say that the public finances of Jersey are being supervised in accordance with the law"?

Treasurer of the States:

No, I would not pin such an important judgment on one report, no. I get comfort by the whole governance framework that we have and by the extensive work that we have done, for instance, around the 2013 accounts, on the governance statement. If you have a look at that, Chairman, you will see that it is a very comprehensive document, so much so that PriceWaterhouseCoopers commented that perhaps we overdo it rather than under-do our declarations on our governance statement. So, for me, an individual audit report is an individual audit report and what gives me comfort is the whole governance framework of which internal audit is but one part and internal audit reports are but a subset of that.

Deputy T.A. Vallois:

Would you be able to name 3 or 4 of the reports that have been done in the last 12 months?

Treasurer of the States:

Of course I would.

Deputy T.A. Vallois:

Could you name them, please?

Treasurer of the States:

I can tell you all the recommendations if you like. **[Laughter]**

Deputy T.A. Vallois:

No, I just want to have an example.

Treasurer of the States:

Well, your favourite would be Canbedone.

Deputy T.A. Vallois:

That is not my favourite. **[Laughter]** That is certainly not my favourite.

Treasurer of the States:

Well, we have had internal audit reports done on Canbedone. We have had reports done on payroll. We have had reports done on pensions matters. We have had reports done on accounts payable. We have had reports done on ... I can carry on if you want me to.

Deputy T.A. Vallois:

No, I just asked you to name 3 or 4, but that is fine.

Deputy R.J. Rondel:

If we move on to the reporting lines of the Chief Internal Auditor ...

Deputy R.J. Rondel:

Right, yes, reporting lines of the Chief Internal Auditor, how do you ensure the freedom of the Chief Internal Auditor to determine the work programme and results in respect of the Treasury?

Treasurer of the States:

I think that is very important, so the way in which I deal with that is I require my directors to deal with the Chief Internal Auditor and to agree the scope of the work and to progress the work on the audit so that I can stand back and see the outcome of the audit and not influence what happens during the audit. So I stand back from internal audit ...

[14:45]

Deputy R.J. Rondel:

It is full independence?

Treasurer of the States:

Absolutely. I stand back from Internal Audit work that is done within Treasury and I get my directors to deal with that work themselves, and I receive the report at the end. What I will not do is challenge. I see that as 2 of my team, let us say, Director for Shared Services and Chief Internal Auditor, and I rely upon them to go through the proper audit process to come up with an agreed outcome in a professional way and then to present the report to me. I do not expect to have to get involved in any detailed way because I do not think that would be appropriate for me to do.

Deputy T.A. Vallois:

Would you not concede that there may be a situation whereby, because you are their line manager, effectively, that there may be some concern over potential conflict of interest?

Treasurer of the States:

Well, that is a potential but that is why I stand back from it, Chairman, so that that cannot happen. If you were to invite one of my directors, say the Director of Shared Services, to come and explain how he has dealt with the pensions audit, for example, or the accounts payable or the payroll that I mentioned earlier, then you would find that that is exactly what I did. Similarly, if you ask the Chief Internal Auditor, I do not get myself involved in detailed audit work which is being done within

Treasury. I do not think that is appropriate. I also do not think the C&AG would approve if I were to do that. I do not think it is right for me to do that and I do not do that.

Deputy T.A. Vallois:

Would it not be seen as a much easier role for yourself in particular for the Chief Internal Auditor to report to the Chief Executive of the States?

Treasurer of the States:

No, Chairman.

Deputy T.A. Vallois:

Can you explain why?

Treasurer of the States:

Certainly. With public money, if you go to good practice in other jurisdictions, if you go to good practice in the U.K. (United Kingdom), which is what we base our Jersey Financial Reporting Manual on, you will find that there are 3 pillars to any effective governance structure. That means a separation between the head of a service, the treasurer or the finance director as the label may be, and the lawyer. For public money, it is very important that you have those 3 pillars separate. Collusion or pressure can be applied by one individual to another but that is made more difficult when you have 3 distinct and separate roles. From the point of view of the Treasurer, whether I was in the post or not, my advice to you would be that the Treasurer should be responsible for internal audit because the Treasurer has the professional knowledge, the professional qualifications that are appropriate for it, and also in the case of the States of Jersey the responsibility for ensuring that the Public Finances Law is properly complied with. The Internal Audit framework is a very necessary part of that. From the point of view of the Treasurer, as I say, whether I was in post or not, I would give you exactly the same advice. It is very important that the Treasurer should have the support and the means of ensuring that financial directions are complied with, that good governance practices are complied with across the States, that there is appropriate review and testing of financial systems and procedures, that the Chief Internal Auditor is properly involved on a day-to-day basis and not kept separate and away from what is really happening in the finance function across the States. Now, under my leadership over the last almost 4 years now the Chief Internal Auditor has been very closely involved with what is currently happening. So the Chief Internal Auditor is part of the Finance Advisory Board and is not excluded from any of the activities that the finance directors are involved in.

Deputy R.J. Rondel:

Could you just explain the process you follow when you agree with the Chief Internal Auditor the Audit Plan?

Treasurer of the States:

Certainly. So there are a number of different people who are involved in the development of the Internal Audit Plan, of which I would be one, but the chief officers and the Chief Executive are also part of that. So we have discussions with the chief officers about areas which they see are important and are risky areas for them in the coming year. We make sure that we get appropriate coverage of areas that they are concerned about. As Treasurer, I would have my own views about significant areas of change that are coming up. An example would be in 2014 it is important that as part of the audit process, for instance, we are reviewing what is happening with the transition for housing from being a States department to being an independent incorporated body. So when you have a big area of change like that, you expect to see those big areas of change covered in the audit plan. We would pick up areas from the PwC report, the ISA 260 report - I get confused between 260 and 270; it is the 260 report - which sets out issues which PwC have identified during the course of their audit. So they may well indicate areas where we need further work to be done. We would have regard to ...

Deputy R.J. Rondel:

How is that decided?

Treasurer of the States:

We gather all of this in. So there are basic things that I, as Treasurer, really need to be done on the financial systems. There are big areas of change that have to be considered. There are findings from the PwC ISA 260 report. There are findings from the C&AG's own reports that we need to consider and follow up on. So there is a whole raft of information. There are comments from chief officers about risks that they see. So we would have regard to all of these things in drawing together a plan. We would also discuss the plan at the Audit Committee so the Audit Committee members would have the opportunity to consider and comment on what is proposed, and we consider it at CMB (Corporate Management Board) as well.

Deputy R.J. Rondel:

Okay, so their process is followed on when they decide. How do they decide? When you give them the information?

Treasurer of the States:

We will gather all the information ...

Senator S.C. Ferguson:

Who is "we"?

Treasurer of the States:

The Chief Internal Auditor and the Audit team will gather information. I will gather information and make comments. It is not a one-person job, Chairman, to develop the Audit Plan, so that is why I say "we."

Deputy R.J. Rondel:

Then it goes to the Audit Committee?

Treasurer of the States:

That will be one place that it will go to. It will also go to the Corporate Management Board as well.

Deputy R.J. Rondel:

Right. So what process do the Audit Committee follow in agreeing the plan?

Treasurer of the States:

The Audit Committee will receive a report properly agenda'd. In advance they will have access to that report and be able to consider it. The Chief Internal Auditor may have a meeting in advance with the Audit Committee Chairman as part of the development of the agenda for the meeting and may discuss the Audit Plan at such a meeting. All the Audit Committee members will receive the report typically about a week in advance of the committee meeting, so comments will be received or telephone calls made to question or clarify particular points. Then there will be a discussion at the meeting.

Senator S.C. Ferguson:

But when do you do the risk assessment? We cannot see any risk assessment in the internal audit plan. There must be one, presumably?

Treasurer of the States:

So if we go to risk assessments, Chairman, the departments do have their own methods of recording their risks and developing risk registers and maintaining their risk registers. In discussions with the Chief Internal Auditor, in discussions with me, they will be asked to identify particular risks that they see in the forthcoming year that it will make sense to have as part of the Audit Plan.

Senator S.C. Ferguson:

Yes, so you say there is not a general comment about doing risk assessments in the Audit Plan and the parameters to follow; there is no comment in the actual rubric of the report saying what risks you are ...

Treasurer of the States:

I am not sure what you are pointing to ...

Deputy T.A. Vallois:

That is the Internal Audit Plan for 2014.

Senator S.C. Ferguson:

It is the Internal Audit Plan, your Internal Audit, or your Chief Internal Auditor's plan. There is nothing in here to indicate what risks the particular reports are intended to address or will take account of.

Treasurer of the States:

I think that is a fair point and that is something that we can improve on.

Mr. I. Ridgway:

Could I ask how much resource you need to put into the Internal Audit Plan?

Treasurer of the States:

Say again, sorry?

Mr. I. Ridgway:

How do you determine the amount of resource that is required to fulfil the Internal Audit Plan? At what point do you say: "That is enough resource"?

Treasurer of the States:

How do we determine the amount of resource? I think there are 2 different things about resource: there is amount of resource and also the quality and experience of the resource that needs to be applied to a particular area, so we would have regard to both of those things. The total amount of our resource is in part determined by the size of our team, but we also have flexibility because, as you will be aware, Chairman, we have an external contract for internal audit with BDO, and part of the reason why we maintained that external contract with BDO was to give us flexibility both in regards to the resources that we have available to us and with regard to the skills and experience of those particular people who might be employed to do particular pieces of work for us. So an example of that would be that experience will tell you that IT (information technology) auditors are few and far between, quite scarce resources, quite difficult to find. So where we need particular skills around IT audit we can go to BDO and we can get BDO to bring in those extra skills that we need to support us in a particular audit. So we have flexibility both in terms of the quantity of internal audit resource that we have available to us as an organisation and also the quality and the

particular skills that we have available to us can be flexed because we can go to BDO, and they can go to their London office if necessary to bring in the right skills to support us.

Deputy R.J. Rondel:

Have you ever used anybody else apart from BDO and would you consider it in the future?

Treasurer of the States:

Yes, we have a contractor at the moment, for instance, who is working to support our Internal Audit team and that is working very effectively. The important thing is that we have the right skills and qualities in the people who are undertaking the work.

Deputy R.J. Rondel:

Sorry, when you say contractor, somebody else other than BDO?

Treasurer of the States:

Yes.

Deputy R.J. Rondel:

Another firm from the U.K.?

Treasurer of the States:

An external contractor.

Mr. I. Ridgway:

Can I just clarify: are you happy that the Chief Internal Auditor has sufficient resources to address or carry out internal audits on the corporate risks faced by the organisation?

Treasurer of the States:

Yes.

Deputy T.A. Vallois:

The in-house internal audit has been increased, is that correct?

Treasurer of the States:

When I first arrived, Chairman, we only had 2 staff in Internal Audit.

Deputy T.A. Vallois:

Sounds about right.

Treasurer of the States:

The Chief Internal Auditor and one other colleague who concentrates on capital audits. It seemed to me that that was a significant weakness. The quality of work that was being done at that time in my view was not what it needed to be and a number of audit reports were being delayed because of disputes between the department and the Chief Internal Auditor that was in place at the time.

[15:00]

We were also not managing the contract with BDO as well as I felt we should so I did not feel that we were getting the best value out of BDO at that particular time. I have to say, the BDO team are good, they are capable, and we are very happy with the BDO team that we have. I would also say that we are driving better value out of BDO now than we were 3 years ago. If you were to speak with our lead partner from BDO I would hazard a guess that she would support that view. So we are in a stronger position now 3 years on with our in-house team and we now have a reasonably-sized team. Why do I think that is important? Because that team develops knowledge of the organisation. It develops relationships within the organisation, and those relationships are very important for an Internal Audit function because that is how you get to know as an internal auditor what is happening within an organisation. If people develop confidence in you and they have trust and confidence in the Internal Audit function, they are far more likely to come forward and say: "Can you advise us about this? We are concerned about that. Can you give us some guidance?" and so on. So that is why I think that is important. That sort of relationship is harder to build up, with the best will in the world, with an external body because they are here one day and they are gone the next. There is not the same relationship that exists in that circumstance.

Senator S.C. Ferguson:

But does that not also risk that you lose your independence?

Treasurer of the States:

There is a balance to be struck there and that is why I thought it sensible to have both, the best of both worlds, a small internal audit team that can work with and develop those kind of relationships, and the independence and separateness of BDO and their ability to develop both capacity and bring in additional capacity when they need it and also their ability to bring in different skills when we need those as well. So it seemed to me that we were getting the best of both worlds by doing that.

Deputy T.A. Vallois:

How was it ensured then that adequate arrangements for quality of internal audit work were in place?

Treasurer of the States:

When, Chairman? When are we talking about?

Deputy T.A. Vallois:

When you started with all the external contracting and ensuring that there was a kind of foundation for internal audit work to be based on.

Treasurer of the States:

Would you mind asking that question again?

Deputy T.A. Vallois:

How was it ensured that adequate arrangements for quality of internal audit work were in place?

Treasurer of the States:

How did I ensure that we had adequate ...

Deputy T.A. Vallois:

Arrangements for quality of internal ...

Treasurer of the States:

... arrangements for quality of internal audit. We are still on that journey, I think would be my honest assessment. I am very happy with the team. The team is stronger than it was 2, certainly 3 years ago. It is stronger than it was 2 years ago and we are still building that. The quality of internal audit comes from more than that, though: the quality of internal audit comes from having proper frameworks in place that are well understood across the organisation. It comes from applying appropriate public sector internal audit standards, and we are still working to embed those fully in our approach. It comes from having the right frameworks in place and your own committee, Chairman, in my view is part of that public accounts scrutiny, internal audit ... sorry, the Audit Committee. That external scrutiny is, if you like, if I can use that term with a small "s", all part of that framework. We are getting a stronger team approach from our Comptroller and Auditor General as well now so the C&AG is, in my experience, able to take more work forward at the same time in a number of different areas. So I am also able to get assurance from that and also identification of areas where we need to improve on that. The challenges that we get from PwC and from members of the Audit Committee I would also have regard to and are important. The

comments I get back from chief officers and finance directors about the veracity of reports from Internal Audit also tells me something about quality. So if we were to be in a position, for instance, where there were a dispute, or difference of view might be a better way of putting it, between a chief officer and finance director and Chief Internal Auditor about a particular point within a report, if the Chief Internal Auditor plans to give a 2 as a grade for a particular report then, as part of our protocol, I talk first to the Chief Internal Auditor and the appropriate team member to ask lots of questions to really understand whether there is enough evidence to support that or not, that marking, because nobody wants to get a 2 on their audit report. If I am satisfied that there is sufficient evidence, then we have a discussion with the chief officer to discuss the chief officer's feelings. Now, when we have done that, and thankfully we do not have many reports with a 2, but on those occasions when we do, I have not had a problem with the chief officer. The chief officer has been accepting that there is a way to go and there are some improvements to make in that particular area.

Deputy T.A. Vallois:

You say they are accepting. How do you assure that they are implementing changes?

Treasurer of the States:

Because in recent times, Chairman, we have got more particular with following up on the findings of Internal Audit reports, and also one of the things I did upon arrival was to check ... you may remember; I think I shared it with you. I got a member of our team to go through all the C&AG's reports ... and you do, you are nodding.

Deputy T.A. Vallois:

Yes, I remember it well.

Treasurer of the States:

To check what the findings were from the former C&AG and to update me on the progress with those reports, so that tells me something about quality as well.

Mr. R. Parker:

Do you look into, or do internal audit look into, operating efficiency? Because external audit looks at the completeness of the income and expenditure but not the efficiency or value for money in relation to the operation.

Treasurer of the States:

I think that is a very valid point. I would say that it is the role of the accounting officer to ensure that they are delivering value for money and if the accounting officer were to ask us to undertake

some work in support of their assessment of whether they were delivering value for money, then we would be willing to include that as part of the audit plan. So when we are gathering information about what should be part of the Audit Plan, it is something we would be prepared to consider. That may also be something where it would not be done at the expense of the regularity work.

Mr. R. Parker:

No, what I was probably getting at was that you have talked about a system-based audit, which then relates to IT, and it is the efficiency in the way in which the IT is implemented which gives good management information and achieves efficiency levels, but that is not something that would normally be commented on by the external auditors. So they would be looking at the internal controls and the like, but obviously if one is going through the IT system and the way it has been implemented, it will have an impact on basically staffing levels, efficiency levels and so forth. That as an area, I believe, is very important to Internal Audit because it is an area not properly covered by or covered by external audit.

Treasurer of the States:

I think that is an interesting point. In the end, for those financial systems I would be the accounting officer with that responsibility for making sure that those systems are providing value for money, so how could I demonstrate that I take that seriously? So, for instance, a very current example would be the implementation of our procure-to-pay system, what we are now calling Supply Jersey. We are paying a great deal of attention to how we are implementing that system and we are putting a lot of resource into the proper implementation of that system so that it does get properly embedded and implemented effectively across the whole of the States and used properly across the whole of the States as a consequence. The States has on previous occasions perhaps not paid enough attention to the effective and thorough implementation of systems early enough, so that is something we have been very mindful of and the most current example would be on Supply Jersey.

Mr. R. Parker:

I think it is a case that if you are having to put information in twice as part of the actual operation and then from the accounting side it is very difficult for the 2 to marry up, whereas if you are putting the information in once and that becomes part of both the operation and the accounting side of management, it is all integrated. So you end up with the way in which systems are integrated makes significant benefits in efficiency and value for money as far as the taxpayer is concerned.

Treasurer of the States:

In theory, yes.

Mr. R. Parker:

Well, it does happen in practice.

Treasurer of the States:

Yes.

Deputy R.J. Rondel:

Are you satisfied that the extent of compliance with the Public Sector Internal Audit Standards and associated improvement programme was adequately reported to the Audit Committee?

Treasurer of the States:

I think initially the assessment that was done within Internal Audit on the extent to which we were managing to meet Public Sector Internal Audit Standards was a little bit on the optimistic side. A hard look subsequently by the C&AG made clear to us that we were not as far advanced as we thought we might be. Now, that is fine. I think that is a matter of judgment. There was no ...

Deputy R.J. Rondel:

You were not aware of that beforehand?

Treasurer of the States:

No. So work was done within Internal Audit to make an assessment of how we felt we were doing against the public sector internal audit standards. Subsequently, the C&AG has formed a view about how we are doing against Public Sector Internal Audit Standards and we are not doing quite as well as we thought. We are completely happy to accept that and to ... I think it was a matter of not fully understanding the full extent of what good looked like, in terms of compliance with Public Sector Internal Audit Standards. Now that we are clearer, bearing in mind these are new standards and they are being newly implemented in Jersey, I think we realise there is a bit more of a gap there than we first thought.

Deputy T.A. Vallois:

Can I just ask in terms of ...

Treasurer of the States:

We are happy to work on closing it, but also ... sorry. The advice that we have is that we should not rush to close it. We should take our time and work systematically to close any gaps that we may have.

Deputy T.A. Vallois:

All right. Just on the PSIAS (Public Sector Internal Audit Standards), you voluntarily adopted them on 1st January 2013. Was there no self-assessment done in terms of Internal Audit and the way it was working before adopting them and setting yourself the high bar, let us say, or those standards at that point before saying: "Well, there are a series of actions that we have to attempt before we adopt these standards"?

Treasurer of the States:

Did we do a "how high could we jump" before we set the bar? No, I do not think we did.

[15:15]

Our approach generally, as you know, is always to adopt good practice from the U.K. We have a mentor for the Chief Internal Auditor. We had a mentor at the time for the Chief Internal Auditor, who was part of the development of those Public Sector Internal Audit Standards in the UK, a very knowledgeable and experienced person. Those Public Sector Internal Audit Standards are the best benchmark, so we set ourselves that benchmark. Perhaps we tried to sprint before we had warmed up.

Deputy T.A. Vallois:

It is just that it seems to be a theme that I see in the States quite a lot is that there is no real self-assessment, critical inward-looking self-assessment, before anyone else comes in and takes a grab and looks at it ...

Treasurer of the States:

No, this was a ...

Deputy T.A. Vallois:

... in terms of an actual self-assessment before you start setting these high bars. It is all good to take on best practice, et cetera, but if it is going to place a large amount of pressure and time and resource in a very short period of time when you have other priorities at the same time, do you not think it would be more efficient and effective to do a self-assessment first and say: "Here is what we really need to do and we can do it better in this timeframe than putting more pressure on ourselves"?

Treasurer of the States:

Yes, I see what you are saying, Chairman, but when you are going to do a self-assessment, you need to do a self-assessment against a benchmark. We chose the most current and the most up-

to-date benchmark to measure ourselves against. Was that a bit of a stretch? Yes, and we still have a way to go, as you will know. We still have a way to go before we will be in a position to say that we fully comply with Public Sector Internal Audit Standards.

Senator S.C. Ferguson:

What would you say are your weak points, then?

Treasurer of the States:

What would I say are our weak points?

Senator S.C. Ferguson:

Obviously, if you have done a self-assessment then you would have identified areas needing greatest improvement. Now that you are in the midst of it, and so on, what are your weak points that you are going to have to work harder to get right?

Treasurer of the States:

We have done a detailed report, Chairman, in response to the C&AG's report, which identifies where we think our weaker points are and where we need to improve. I am happy to take you through that if you would like me to do that.

Deputy T.A. Vallois:

No, that is fine.

Senator S.C. Ferguson:

No, that is fine.

Treasurer of the States:

It is all in the evidence there. As I said recently at a meeting, I would probably give us maybe 6 out of 10. I would not identify any individual areas where we have a gaping hole, but I think we need a general improvement across the board. But we are working on that and if I look back to where we were 3 years ago, then I am just glad that we did not have the current C&AG 3 years ago. **[Laughter]**

Mr. J. Mills:

Do you think the organisation as a whole has a clear enough understanding of the definition of "internal audit" and what the role and purpose of it is, from where you sit across the sea?

Treasurer of the States:

I think that is something, I think, certainly the finance directors do.

Mr. J. Mills:

Yes, I think I would expect that.

Treasurer of the States:

Yes, the finance directors do and I think the chief officers do. Would it extend much beyond that? I think that depends upon people's exposure to Internal Audit in the past. Certainly, there is more that we could do around extending people's knowledge of the role and the functions of Internal Audit and how they should best as senior managers work and middle managers work with Internal Audit.

Mr. J. Mills:

Do you have a specific financial direction in relation to it?

Treasurer of the States:

Internal Audit?

Mr. J. Mills:

Yes.

Treasurer of the States:

Yes.

Mr. J. Mills:

Is that circulated widely? Where does it ...

Treasurer of the States:

It is on the website.

Mr. J. Mills:

Yes, but that does not mean it is circulated. There are a lot of things on the website. How do people know about this?

Treasurer of the States:

No, sorry, we have our own "We all Count" website, which is a website for all the finance staff in the States and the financial directions, including the Internal Audit financial directions, sit on there.

I do not mean an external website, general sort of website that people might look on or might not. We have an internal website on the intranet which is just for finance staff so that they can get easy access to all that sort of information. I think the finance team generally, not just the finance directors but the finance teams, will understand the role of internal audit and how to work with it.

[15:22 - Ends]