



Scrutiny Office

## Public Accounts Committee

**FRIDAY, 15th APRIL 2016**

**Panel:**

Deputy A.D. Lewis of St. Helier (Chairman)

Deputy S.M. Wickenden of St. Helier (Vice-Chairman)

Deputy J.A. Martin of St. Helier

Connétable C.H. Taylor of St. John

Mr. R.J. Parker

**In attendance:**

Deputy Comptroller and Auditor General

PAC Officer

**Witnesses:**

Treasurer

Director, Strategic Procurement

Chief Internal Auditor

[15:35]

**Deputy A.D. Lewis of St. Helier (Chairman):**

In fact looks like she enjoyed it so much the Chief Internal Auditor has come back again for some more but thank you very much for attending today. We have already had a hearing, as some of you are aware, with the Chief Executive and the Procurement Officer earlier on this afternoon, which was most interesting and revealing and they were very open and candid with us, which was very useful. We have just got some follow-up questions from that that will be more pertinent to the

Treasurer and the Chief Internal Auditor, which regard more to the accounting side of accounting for expenses such as travel and related expenses. We will kick off, firstly, with going around the table for the record as to who is here. If I could just start with the Deputy on my right, introduce yourself.

**Deputy A.D. Lewis:**

Okay. Right, well thanks again for coming along this afternoon. Our review today covers sort of 3 themes. It starts off with Financial Directions, no surprise to you I guess, value for money; and then we will go on to the centralised booking system, which is largely covered already in the previous hearing, so we shall not be asking too much about that but there are some questions there that may be relevant in the context of the Treasury, rather than just the users of the system. I am just going to start off by reminding people about the Financial Direction we are talking about here and putting into perspective what it is we want to try and find out today. What we are looking to understand in this review in today's hearing is whether Financial Direction 5.7 has been adhered to, together with the relevant Code of Conduct for officers when booking travel and accommodation or whether Financial Direction 5.7 is fit for purpose. We will also focus on the value for money and the purpose of the trips undertaken on behalf of the States. Finally, we will want to ask some questions around the centralised booking system that was set up to save money and time and to standardise travel and accommodation booking arrangements throughout the States of Jersey, so that is the sort of theme that is setting us ... First of all, we are going to kick off with some questions about Financial Directions and thank you for the work that you have done on that already. We have had a hearing on that. A lot of work has been done, a lot of great work, and I know that one of your colleagues in the room here has been particularly involved with that. I am sure it has made some great progress, in fact we have seen some of that progress. But for the purpose of today we would like to know, if I could direct the question to the Treasurer, what is your understanding of Financial Direction 5.7 and the Code of Conduct in relation to travel and expenses in particular?

**Treasurer:**

I regard the Financial Direction as being relatively straightforward and it is fair to say all Financial Directions are not as straightforward as this one. But in most respects, not all respects, not perfect, the Financial Direction, as it stands, is a relatively straightforward part. Some parts are easier to comply with than others. It combines with the Code of Conduct and I think pulled out the pages earlier in terms of accountability and selfishlessness in terms of delivering value for money. If I look: "You must make decisions early in terms of public interest and not to gain financially yourself and in terms of accountability, make sure you are accountable for your decisions and actions", as I am right now: "Make sure you submit yourself to whatever scrutiny is appropriate to your level."

**Deputy A.D. Lewis:**

Yes. Our understanding here is, I have a quote here: "The employee should ask himself or herself, is the action I intend to take legal? Does it comply with States policies and approved practices? Does the action feel right and could it be justified for those outside the States?" That is kind of the essence of it, that is the spirit of it, if you like. Would you agree with that?

**Treasurer:**

Yes. We generally have a phrase, before you do it think of what the headline would look like on the front of the *J.E.P.* (*Jersey Evening Post*).

**Deputy A.D. Lewis:**

You do not want to see today's *J.E.P.* then.

**Treasurer:**

Yes.

**Deputy A.D. Lewis:**

On the basis of that then, you are clear and content with the direction. But are you satisfied that it is being adhered to in respect of expenditure on travel and related expenses and if not, why not? What is the extent, if any, of non-compliance in your mind?

**Treasurer:**

When we look at this Financial Direction, one area that we have already identified and already put in place measures to improve, ahead of the announcement of the review into travel announced by the Chief Minister, was that it is pretty much based upon the standing and equality of department scheme of delegation. The Financial Direction sets of standards, you want a varied form of standard or indeed if you wished to travel, that should be in accordance with you departmental scheme of delegations. The Finance Advisory Board, which is the collection of finance directors across the States, sit down and had sat down and identified that the schemes of delegation were variable across departments, variable in 2 ways in terms of quality but also in terms of consistency. What we decided we would do would be to introduce a new standard and underneath the work we have been doing on our Financial Directions, initially led through the F.D. (Finance Director) of Social Security, put together, if you like, a core template for scheme of delegation. At the moment I do not think the scheme of delegation necessarily being fit for purpose in this respect. In other respects, yes, but in this respect, no. There are other improvements within the scheme of delegation that need to be catered for. Had the scheme of delegation all been appropriate I do not think we would have as much, if any, of an issue compared to where we are now in terms of compliance. The scheme of delegation report an area

of improvement that we have already set out to do. The move we have also made with the scheme of delegation is from hereon in I have said that there will be a minimum standard of schemes of delegation, so that minimum standard cannot be watered down by departments. If they wish to have additional controls over and above that, that will be for them. Previous to that schemes of delegation have been a matter for departments.

**Deputy A.D. Lewis:**

Can you describe what the minimum delegation is?

**Treasurer:**

What scheme of delegation means?

**Deputy A.D. Lewis:**

Yes.

**Treasurer:**

In effect, the way that things work is it comes from not really the Minister, through the Accounting Officer, he would have a scheme of delegation and the only person really authorised to do anything financially would be, this is oversimplified, the Accounting Officer. The Accounting Officer then has to pass down throughout the organisation authorities to spend money up to certain amounts, so you will have all through the organisation different authorities at different levels within the organisation to spend. But it also applies to things like this, so making sure that authority to authorise different levels of expenditure on travel or even travel itself or classes of travel should sit at the right part of the organisation. In addition to that, further to an internal audit report finding, the Chief Executive has issued the instruction because what has been happening is that Accounting Officers have not been signing off, not had approval from above under an expenditure. It may have been by a finance director but that is not necessarily a step up the tree to get the authorisation. All travel I think, he is saying, over 4 hours must be signed off by him, in his absence me.

**Deputy A.D. Lewis:**

Okay, so that is a recent change, is it not, the Chief Executive referred to that in the last hearing?

**Treasurer:**

Yes.

**Deputy A.D. Lewis:**

That was not in place before, so correct me if I am wrong, my understanding is that the Accounting Officer in the past could sign off his or her own travel, which could be sometimes quite large sums of money ...

**Treasurer:**

Not universally, no. Some schemes of delegation would have allowed for finance directors to have signed it off and the way that that would have worked ...

**Deputy A.D. Lewis:**

But the finance director does report to the Accounting Officer.

**Treasurer:**

Yes, well that is ...

**Deputy A.D. Lewis:**

Yes, which is the point. Yes.

**Treasurer:**

The reasoning there being that there would have been split lines of responsibility through to me. If they felt that they were uncomfortable with what they were being asked to sign off, then they could come to me.

**Deputy A.D. Lewis:**

They could come to you.

**Treasurer:**

They could ...

**Deputy A.D. Lewis:**

Have they always been able to do that?

**Treasurer:**

Pardon?

**Deputy A.D. Lewis:**

Have they always been able to do that and do they often do that?

**Treasurer:**

I do not know about the word “always” but, yes, they have had the opportunity to come to talk to the Treasurer as head of professional with a dotted line of responsibility too if they feel uncomfortable with anything.

**Deputy S.M. Wickenden:**

What we say is you are happy that the Financial Directions have been there a day or 2 but it has not been consistent on approach to department to department because the part of that pre-approval, which is 2.1.1, says that: “Any activity which forms part of the work and the employee and which will incur expenditure on travel and accommodation must be agreed and approved in line with the department’s scheme of delegation and prior booking is confirmed.” You are saying that different departments have different schemes of delegation and, therefore, the Financial Direction has been followed but the scheme of delegation does not mean that it is consistent.

**Treasurer:**

Yes, initially, so we are still doing the review of travel overall. We are going to wait until we get the findings of that.

[15:45]

But, yes, the scheme of delegation in that respect, and in the other respect relating to flights for officers, the Financial Direction, as you know, says for officers it is economy class, unless otherwise permitted within the scheme of delegation, were adequate in order to authorise travel by officers at anything other than economy class. It may have been within travel policies but according to the letter of the law, as laid down in the Financial Direction, it says as envisaged within the scheme of delegation.

**Deputy A.D. Lewis:**

It is clear to us when we had the hearing about financial management that currently finance directors do not report to you, Accounting Officers do, yes, so ...

**Treasurer:**

No, finance directors report to Accounting Officers.

**Deputy A.D. Lewis:**

Yes, but Accounting Officers, effectively, report to the centre and Chief Executive or yourself for financial matters.

**Treasurer:**

Right, not to me though.

**Deputy A.D. Lewis:**

Not to you, no. The finance directors only report to their Accounting Officers at the moment but they can, should they choose to, take advice from you or report things to you. But is there a proper whistleblowing type process should they be concerned about the way the Accounting Officer is functioning?

**Treasurer:**

Yes, they have a reporting line to me for professional standards. If they felt that there was anything that professionally they had a concern with then they could come to me and they have access to the Chief Internal Auditor, they could very easily take it from the Accounting Officer to their reporting line, which would be the Chief Executive. There are a number of routes that they could take before envisaging calling on the whistleblowing.

**Deputy A.D. Lewis:**

Do they find that difficult to do though because they work for that Chief Officer as their finance director? Do they feel uncomfortable coming to you when it might be something that is perhaps a little irregular that is occurring within the department of which the Chief Officer is responsible?

**Treasurer:**

I am sure it would take something ...

**Deputy A.D. Lewis:**

It would take something quite serious perhaps.

**Treasurer:**

... of gravity or magnitude for them to do so. But you would only expect them to use it for something of gravity or magnitude.

**Deputy A.D. Lewis:**

Yes, otherwise they would not have a very good relationship with the Chief Officer if they were ...

**Treasurer:**

No, but that would stand as well, regardless of whether they reported to me or not. They would always want to have a good relationship with the organisation that they served and I would expect them to use or talk about things in the round in terms of professional standards. But if they had a

fundamental issue then in either model I think they would find that there would be an issue in terms of their interpersonal relationships but that is what it is there for, for when you have a fundamental issue. We have other ways of reporting exemptions from or breaches of Financial Direction that are not as onerous and are signed off by the Accounting Officer themselves anyhow.

**Deputy A.D. Lewis:**

I am going to come on to talk about exemptions in a moment but ...

**Deputy S.M. Wickenden:**

Did you want to add anything there?

**Chief internal Auditor:**

Yes, thank you, Vice-Chairman. There is, as you are well aware, the States of Jersey whistleblowing policy and there are 5 designated people that was approved by the States Internal Audit and by the trade unions. The reason we have 5 is to allow more people to go to. Anyone can report a serious concern to myself as Chief Internal Auditor ...

**Deputy A.D. Lewis:**

Sorry, would you like to just speak a bit slower for the stenograph, otherwise ...

**Chief Internal Auditor:**

Sorry, yes, that's fine. Sorry, I do speak quite fast. They can go to the Treasurer of the States of Jersey, myself, the Chief Executive, the Director of Human Resources and also they can go to the Chairman of the Audit Committee, so another independent person to go to as well. I think what is really important is that there is open communication with finance directors and the Treasurer who chairs the Financial Advisory Board, which allows at least once a month the Treasurer to speak to finance directors as a group of people. Also, I go to actual Financial Advisory Board meetings as well, which, to me, is to ensure that we have a good relationship with those finance directors and they can come to us with any concerns or for advice, which they often do because the relationship is there to allow it, which I think is really important and really key, so that is what we have in the policy.

**Deputy A.D. Lewis:**

In the case of a recent event much publicised, I am not going to mention any names or anything, but it has been questioned, a particular expense when it comes to travel, would you have expected that type of thing to be flagged up with Internal Audit or with the Treasurer? Would you expect the finance director to challenge the Accounting Officer on that particular purchase or would you not

expect that to happen until the end of the audit process, perhaps much later after such a booking had been made?

**Treasurer:**

I think in answering that question I would be giving a view as to whether I thought there was something amiss.

**Deputy A.D. Lewis:**

I know there is an internal investigation going on, so I do not want to stray into that area. What I am trying to establish is as to what the processes are in place at the moment to enable that situation not to occur so that there is the opportunity for an F.D. to challenge a purchase.

**Treasurer:**

I think now the position is that that travel would have to be signed up by the Chief Executive.

**Deputy A.D. Lewis:**

That would resolve it now.

**Treasurer:**

That resolved that situation.

**Deputy A.D. Lewis:**

But it did not exist before.

**Treasurer:**

In his case I would have to sign it off.

**Deputy A.D. Lewis:**

Okay, that is fine. We will come on then to a bit more about the authorisation mechanism. Did you want to ask a question about that?

**Deputy S.M. Wickenden:**

I think that most of it has been answered.

**Deputy A.D. Lewis:**

Yes, okay.

**Deputy J.A. Martin:**

I think where the Chair was going, and not any particular cases, you know what happened after it has been signed off but what monitoring is undertaken to ensure that compliance happens with policies? If they are not kept to, what sanctions are imposed if policies are not adhered to? Are there any sanctions in place to make people think twice? Who monitors and, if they are broken, who makes the sanctions and what are the sanctions?

**Treasurer:**

In terms of what the sanctions would be, the sanctions would ultimately be, of course, disciplinary action, so the answer is, to a degree, that. I am sure you probably touched upon it in the previous hearing. We discussed this about a year ago at the Finance Advisory Board, moving to the situation we have in the U.K. (United Kingdom) where each and every expenditure item over £500 is published as a matter of routine. I think, ultimately, that is a good way of, if you like ...

**Deputy A.D. Lewis:**

Making people think, yes.

**Treasurer:**

... making people think twice about the expenditure. Now it is problems with systems and coding and such that prevents us from being able to do that easily. We have already had discussions internally about very probably doing that on travel, sooner than we do it on everything else. But previously when we talked about it we have decided that the amount or whoever is involved in it ... at the moment, given the systems we have, would make that quite difficult for us to achieve, so that there is the disciplinary route. In terms of, like you say that is in advance, I am sure that you are going to get some of the same answers here, but when I look at the particular world I have of Treasury, there is not a great deal of travel going on in Treasury itself but there is within taxes. Most of that relates to our international tax obligations and agreements, both in terms of having training for that, face to face with other organisations, group learning, but also there is a programme of peer reviewing. We reviewed Portugal previously and other places will come and review us. That travel sits within the reporting that goes up to F.E.R.A.G. (Financial and External Relations Advisory Group). I sit at those meetings and I can see a schedule going out for a year that says who is going where when, which allows a degree of challenge to take place and some scrutiny, with a small "s", as to how many people are going in which departments and why they do it. I can see good sight of senior level and political level of people understanding who is going on and why we are going on those trips and, therefore, improving that expenditure.

**Deputy J.A. Martin:**

I thought this group was fairly new, sorry, Treasurer. Is it not a new group?

**Treasurer:**

No, F.E.R.A.G. has been around ... well, relatively I suppose it is not as old as the Assembly but it has been there as long as I have been in the Treasury and before ... no, not last time I was in Treasury but at some point in the last few years.

**Deputy J.A. Martin:**

I thought that the Chief Executive said we have a new group so this will not happen again, but I will re-read the transcripts and his answer, sorry.

**Treasurer:**

That reporting is relatively new.

**Deputy J.A. Martin:**

The reporting, okay.

**Treasurer:**

I think that started end of last year or into this year.

**Deputy J.A. Martin:**

Yes, okay.

**Deputy S.M. Wickenden:**

Okay, so as obviously the Treasurer and you own the public purse and you are in control of the Financial Directions, when we are facing a time where we have a possible structural deficit coming, that we are asking the people of Jersey to tighten their belts a little bit more, we are going to be putting a health charge in, we are doing the refuse charges and such like, do you think that it is acceptable in the Financial Directions that anyone should be allowed to travel business class and should we not be tightening our belts at the same time? In the Financial Directions, do you think it should have been changed earlier on when we were looking at these structural deficits so that we tighten our purses?

**Treasurer:**

Are you asking me to say whether Ministers should because the Financial Direction is very clear?

**Deputy S.M. Wickenden:**

I will just say that you own the Financial Directions and it says that people can travel business class because authorised Ministers can choose business class.

**Treasurer:**

Yes.

**Deputy S.M. Wickenden:**

But do you think, as in a Financial Direction in the times that we are in right now, asking the people of Jersey, should we not remove the business class from the Financial Directions so that we can say we are doing our bit as well?

**Treasurer:**

It would be very easy and possibly politically and publicly easily attractive for me to say yes to that question and not forgetting where I come from, just outside of Hull. I do not think I got on a plane until I was about 21. But there is a very serious side to this and that is that at this point in time it is probably even more important to be drawing our international reputation and to be delivering economic growth. I am not allowed to talk about Mr. King and Mr. Gallichan. There are others in the headlines at the moment and I think that the work that they have done over the time that they have been in the States and, in particular, given the amount of time that Mr. Powell was in States, has been sterling, fantastic. I do not think our economy would be where it is and I do not think our tax revenues would be where they were if it was not for the work that they do.

**Deputy S.M. Wickenden:**

I fully agree with you on that.

**Treasurer:**

Calling for an example, I am not going to have Colin going everywhere around the world the way he does at his age. I think there is a way of doing these things. I have been in the business community but not as a senior level, so I am not used to that. But I think that if you are asking people to travel right to the other side of the world to represent Jersey and do their best for Jersey, you do not get them to come off steerage all the way to China and expect them to do a good job for Jersey. Is it a short-term economy to put them in steerage, for them to get off the plane and do a poor job and then get back on the plane, you might as well have not sent them? I think it is a bit more of a complex question. If you are sending someone to the other side of the world to go out for conferences about their own self-development, that is a very different answer I think in my view. I think where there is a clear case to be sending people business class, where it is in the best interest for Jersey, if it is the way that you are going to get the revenues that you are looking to get to get the reputation that you are looking to get and it has been delivered through the joint working, then I think there is a good case to be made.

**Deputy S.M. Wickenden:**

There is definitely some exceptions where there is, but, as I was saying, should we have not just put those exceptions in and changed it?

**Treasurer:**

I did not write the Financial Directions but I think that is the way it is envisaged, to say overall, where is the benchmark? This is just looking at what is being put through HRG, correct me if I go wrong, 174 flights since 2012 in business class. That sounds like a lot of flights in total but it is less than 0.5 per cent. That is a different thing I have looked at I think.

**Chief Internal Auditor:**

No, there is 465 business class and 537 ...

**Treasurer:**

Right, I was looking at a different analysis, so I will double my estimate then, 1 per cent in number of flights, I am going to have to look at a different email.

**Deputy S.M. Wickenden:**

I did the same but I took out Ministers in the scheme and since 2012 it was 114 business-class flights, 32 premium economy and 185 economy. When you take the economy versus everything else it is almost 15 per cent. But when you take smaller flights it is a much smaller number.

**Treasurer:**

Yes.

**Deputy S.M. Wickenden:**

Mr. Richardson went through that.

**Treasurer:**

But we are not all travelling all around the world on business class, some of us are even getting beyond Guernsey and London. But it is not happening and the people who are doing the biggest part of their job ...

**Deputy A.D. Lewis:**

You are satisfied then that the Financial Direction that we have gives adequate governance and flexibility when necessary to get on and do the job that you need to do.

**Treasurer:**

Yes. I think there are people who complain about bureaucracy and then we have the instances we have had recently. I think I have been in front of you before and said the way the Financial Directions are written is there is layer upon layer upon layer written and added to Financial Directions as a result of cases similar to this. We would go to a principles base if it was just based on principles and none of you has talked about principles. I am not that clear what questions you would be asking me at that point.

**Deputy A.D. Lewis:**

Yes, there would be quite different questions ...

**Treasurer:**

Because there would not be lots of rules written down.

**Deputy S.M. Wickenden:**

But it would be a case of the principle is to try and do it and spend money in the most appropriate way for the benefit of Jersey.

**Treasurer:**

Yes, so that there is more ...

**Deputy S.M. Wickenden:**

You will be saying there is this many business-class flights, was that appropriate for the amount of money and was it in the spirit of the Financial Directions? I think that was the question I would ask.

[16:00]

**Treasurer:**

Yes. But if you take a look at the other side of the reason for the business case or the business-class flight, there is too many businesses in one sentence but, yes, so it is more than just looking at the expenditure.

**Deputy A.D. Lewis:**

We are well aware that the bigger number, of course, is the £4.9 million that has been spent since 2012, which, of course, is three-quarters of the amount we are talking about here, not more ...

**Chief Internal Auditor:**

Sorry, just to give you a context of it, and I am sure you have even read the National Audit Office investigation into government travel expenditure, but in that report they said that 11.5 per cent of national travel was on business class ...

**Deputy A.D. Lewis:**

It is about the same.

**Chief Internal Auditor:**

It is just to sort of put it in that context ...

**Deputy A.D. Lewis:**

Yes. No, what I was going to say was that there is sort of a significant number there over a 3 or 4-year period. Do you sort of do a sample and work out whether all of this travel was entirely necessary in the advent of Skype and perhaps people visiting us, rather than us visiting them, perhaps less delegates going, where necessary, to certain meetings? Is that something that you look at when you do your internal audits for this type of expense?

**Chief Internal Auditor:**

When I look back to the contents of Internal Audit, Internal Audit is to read compliance for Financial Directions and policies, I will do a review that complies with policies or the scheme of delegation departments. It is not for me to say whether or not that that business class was appropriate or not because of the policy intervention, and that is the decision for Accounting Officers to make. In that context I might highlight in percentages of the number of business class from one department or if you are in economy but it is not for us, Chief Internal Auditor, to question the policy of a policy implemented by an Accounting Officer and, ultimately, the Chief Executive who the accountant is reporting to.

**Deputy A.D. Lewis:**

But would you flag up, for example, if you see a lot of entries going to one specific place with numerous individuals? Would you ask a question about it? Would you just say: "No, that is the policy, therefore, I will not ask a question"?

**Chief Internal Auditor:**

No, I would ask the questions, though if I can give you an example, the Treasurer requested there to be reviews of public spend system on a regular basis, not just travel and accommodation but across the States of Jersey and to ensure they comply with policy. We do that review and I report to the Chief Executive and Treasurer on a regular basis of any concerns I have on any department

or any particular item of expenditure. I obviously cannot go into details with you because that would not be appropriate in my role, but there is that piece of work that is done on a regular basis. Then it is for the Chief Executive and Treasurer to decide on any action, as policy makers in their respective areas.

**Deputy A.D. Lewis:**

Okay, thank you. We will come on to some questions about ...

**Treasurer:**

Can I just pick up on that particular area? I think it is fair to say we do use not necessarily Skype but such as that in numerous meetings we have, and I have seen - whether the step change is sufficient or not, I do not know - quite a lot more use of Skype and such like in meetings that we have with other organisations and often it may well be that not everyone who should be at the meeting is in Jersey, so we do use ...

**Deputy A.D. Lewis:**

There is a greater use of Skype, yes. Because it is not just the cost of travel, of course, it is the time spent travelling when you could be working, which ...

**Treasurer:**

Yes, so it is used more than it used to be used. Is it used as much as other organisations? I do not quite know how you get that benchmarking but there is something about face to face.

**Deputy A.D. Lewis:**

Yes, there is, yes. I fully accept that.

**Treasurer:**

The Minister and I have gone to joint meetings with Guernsey and the Isle of Man. We all fly into one airport, have the meeting and then go back on the flight. There is something about having these things face to face with people.

**Deputy A.D. Lewis:**

Yes, we said in the last hearing there is nothing better than touching the flesh in certain circumstances.

**Treasurer:**

Yes, but not every week.

**Deputy A.D. Lewis:**

No.

**Treasurer:**

If you need to talk about something else, pick up the phone.

**Mr. R.J. Parker:**

Yes, and sight too. I think we are looking at it obviously in business class but in the situations it appears that all the tickets have been fully flexible. There is the argument about whether to use business class or not but where you are paying probably double or what you could have paid and you are talking about the planning of obviously long-haul flights and so forth being done in advance, which there are considerable savings in pre-booking tickets. Obviously if you pre-book them at the cheaper prices you can make the changes, the cost of the changes are not that great. The question is, why fully flex? Why were those type of savings not made and they are obviously very considerable?

**Treasurer:**

I do not know the why without the review, we will find out. I will express a view, I tend to agree there has been too much done on a fully-flex broad basis that we should be able to plan with dates and on most cases we will. There are cases where that is not the case and we all know how politics changes in the Island and different effects can take place. But I share your view, we were talking about this and we sort of said a flight that costs £2,000, if you had had to cancel it move it, it would have cost £2,000 and it would still come in less than if you are doing it for the fully flexible ticket.

**Mr. R.J. Parker:**

I think a lot of those that if you had, shall we say, certain cards and so forth, you can make, shall we say, adjustments at not a great deal of cost. Certainly, even if you lost it, if there was a good reason you have a travel insurance policy related to all the public sector.

**Deputy A.D. Lewis:**

Does the insurance come under your department? Yes.

**Treasurer:**

I share your concern on fully flexible.

**Deputy A.D. Lewis:**

Is the insurance procured by you, the travel insurance policy? Is that something you can tell us anything about?

**Treasurer:**

It is probably going to be captured by our own self-insurance in that respect.

**Deputy A.D. Lewis:**

Okay. I think we did ask in the last hearing to get sight of that and find out more about it.

**Treasurer:**

Whatever they call it, the *de minimis*, we are going to be ... it will be the account we are going to self-insure on that.

**Deputy A.D. Lewis:**

Yes, okay. We will come on to the question about the loyalty cards and so on now because we are interested in your thoughts on that. Chris.

**The Connétable of St. John:**

Yes. Paragraph 210: "Officers must not seek to travel with a specific carrier in order to receive benefits or select more expensive flights in order to achieve loyalty points." It goes on: "Points must always accrue to the States of Jersey first. Departments must ensure that procedures are in place for the capturing of any benefits accrued to staff from States travel." We understand various States officers do hold Gold and Silver cards. What process is in place to collect these points?

**Treasurer:**

As the Financial Direction says at the moment, it is down to individual departments. I confirm in the Treasury we do not, I guess we will travel to look up but we do not. I have to say that when we were first discussing this issue the points issue came up and told the previous Financial Directions audit does not to the same degree now. That is a major area that I think will come out in the review and what the F.D. (Financial Directions) is clear in terms of people should not but we do not have the monitoring in place to make sure they do. I think it is quite difficult to avoid it. I can understand why people would, possibly quite appropriately, want the tier points, if you were doing a lot of long haul will get you into the right lounges. Anyone who has travelled a lot, please jump in. I do not have one. We need to put something in and, again, I do not want to pre-announce what I think the review might come up with. I think we are going to have to be more stringent about this, making it clear that they can only be used for business use. Other jurisdictions, probably some for Australia, they require them to be scrubbed but if we could use them for

business so that people could book and use their own points to top up. Admittedly, it is not always available but I do not see any real harm, if they have the points, in topping up. States pays for steerage and you top up with your own points for business, then I do not see that ... I suppose the issue comes when you have someone who travels a lot themselves and adds points themselves, separating that from the business. We have to find a way of doing that as well.

**Deputy S.M. Wickenden:**

But the Financial Directions says that each department should already have that in place and this is a clear non-compliance of that Financial Direction across the board, by the looks of it.

**Treasurer:**

I think that is fair, yes.

**Deputy A.D. Lewis:**

In the private sector it is common place to allow the executives to collect the points themselves. It is an incentive to compensate, for example, travelling at the weekends and anti-social hours and so on and that is generally accepted. I do not see why you could not do something similar in the public sector, as long as it does not then become a perverse incentive to put with specific carriers, sometimes higher fares than you would normally book because it does accrue significant points. We understand that much of the Treasury somewhere at the moment is holding on to 1.5 million points that have not been redeemed since July and I assume the last time they were redeemed, that is equivalent to 200 flights to the U.K. We do not quite understand why those are not being used now, particularly for short haul, which is still relatively easy. I can book an Avios flight tomorrow, it might cost slightly more if I book it in points in 3 weeks' time but I could use them. For £20 I can upgrade and I use 2,000 points, say, for the same thing. We are not quite sure why those are sitting there not being used. Is that something you would audit and look at and ask questions as to why they were not being used because those have a considerable value?

**Treasurer:**

We are trying to identify that through the review. There was a time when they were being used and flights were being requested, so it is not as if people did not know that the points system existed. For some reason that we have to get to the bottom of, people stopped asking for them to be available and that was mostly on our call, now some of that may be but what we need to do is take that off them and look ourselves, question mark, and I am sure you have talked to John about it.

**Deputy A.D. Lewis:**

Yes, it is another system you could have.

**Treasurer:**

But can I just pull back?

**Deputy A.D. Lewis:**

Yes, sorry.

**Treasurer:**

Basically I meant to come back, I think there is a difference between the public and the private sector. I understand exactly what you say. I just think that people expect higher standard and all that makes it sound like there is a lower standard in the private sector, does it not?

**Deputy A.D. Lewis:**

Different standards ...

**Treasurer:**

Just think it is a different world, you go back to the Code of Conduct and ...

**Deputy A.D. Lewis:**

Those points have been earned in public service with public money, so the redemption of them should be treated differently. I think what you suggested earlier, which was, for example, an upgrading using the points for that rather than for leisure travel, is quite a good solution, yes.

**Treasurer:**

Yes, rather than personal use. I think personal use is a different thing. If you continue with it it brings the possibility of people accusing people of having misused the system. If you cannot benefit yourself then there is no question of you being accused of manipulating the system and altering your travel affairs to maximise your number of points. If that is not there then people cannot accuse you of doing it but that is the point I would make.

**Deputy A.D. Lewis:**

At the moment the figures we have suggests that with the high-cost tickets we are talking about here, the ones over £1,000, 40 per cent ...

**Deputy S.M. Wickenden:**

Which one are you after?

**Deputy A.D. Lewis:**

How many are B.A. (British Airways)?

**Deputy S.M. Wickenden:**

Out of 334 flights from what we looked at from here, 205 of them are from British Airways and these are the high-expense flights, anything over £500. It seems like an incentive in some ways that we did discuss earlier that the system itself points you to a certain direction.

**Deputy A.D. Lewis:**

But that does not include the model allowance as well.

**Treasurer:**

Right, so I heard it, so it does not default to B.A.

**Director, Strategic Procurement:**

No, we did clarify this, it defaults because if you direct ...

**Deputy A.D. Lewis:**

We know why it is defaulting, because you are putting Jersey in first and because Jersey, in order to connect, will flag up ...

**Treasurer:**

It does not default to B.A., it is because you are putting ...

**Deputy A.D. Lewis:**

But, on the other hand, we have tested the system ourselves by not putting Jersey in and still British Airways seems to come up in priority to a lot of the other airlines.

**Treasurer:**

That is the cheapest.

**Director, Strategic Development:**

The lowest fare comes first.

**Deputy A.D. Lewis:**

The list seems to be predominantly British Airways, whether it be a high or a low fare, so that is my point. Is there then an incentive to use British Airways or one would allow its airlines because you are accruing more points, which might well be for the centre because you do get points, but the individuals also get the points as well and they are the ones that are making decisions to book the flights? Our question here and our concern is, is there an incentive here to book one with a specific carrier because of the loyalty scheme and often that carrier is the most expensive? They

are the most expensive and they give you the most points. The loyalty scheme with British Airways is a very good one.

**Treasurer:**

That is why I jumped in because you have said that you did not think there was an issue with ...

**Deputy A.D. Lewis:**

No, I did not say there was an issue; how to use the points is another matter. What I am concerned about is that is there an incentive to use British Airways, which has higher fares, even though the system may show lower fares because our evidence here suggests at the moment that so many of those flights are with British Airways and they are quite high fares? When we did a cost comparison with other carriers, other premium carriers, Emirates and so on, the fares were considerably lower if you just, for example, put a way point in. Is there an incentive to use those carriers because of the loyalty scheme and because the Accounting Officers are the ones making the decisions on that booking and they are the ones with the gold cards?

**Treasurer:**

My point is that if you get rid of the points you remove ...

**Deputy A.D. Lewis:**

You were just saying a minute you could pick one thing ...

**Treasurer:**

No, if you just get rid of the points being available you remove any question that there is a manipulation.

[16:15]

**Deputy A.D. Lewis:**

Right, so that would be your ...

**Treasurer:**

I know my colleagues, I do not believe that that is happening and I obviously am pretty good with my knowledge of the individuals.

**Deputy A.D. Lewis:**

But by removing it it will stop questions like that.

**Treasurer:**

You stop any questions.

**Chief Internal Auditor:**

The thing is, just for clarification, you would have an audit of merits travel in a number of years and the Director of Procurement, correct me if I am wrong, what is imperative is when you use HRG for international travel it specifically says you should ring up the HRG team. If, by doing so, they will inform you of routes that are direct and routes that go via a hub of Amsterdam or Dubai, which may or may not be cheaper.

**Deputy A.D. Lewis:**

They do not tend to offer that at the moment.

**Chief Internal Auditor:**

But you would need to phone up. If you do it online they may not do but the policy is if you are HRG-trained, and I am sure that Procurement would welcome anyone to be trained if you say which. When you are training with HRG the HRG training says if you are to book an international flight that you should phone up the HRG team, so you will not get the answers online, so therefore you must phone the HRG team. The HRG team, if you ask them, how do I go from Jersey to China? They will give you various options, more direct, via various stops and then the ...

**Deputy A.D. Lewis:**

But the decision is then still with the Accounting Officers to which one they take, yes.

**Chief Internal Auditor:**

Yes. But they then make an informed decision based on information. If you just look at the online system you cannot make that informed decision because all the options I have given to you. You need to phone HRG team and people are trained, they are requested to do that.

**Deputy S.M. Wickenden:**

Can I ask: on the phone you go with the more expensive one than the option they gave you, does that create an exceptional report that you can then see, will write down?

**Director, Strategic Procurement:**

Yes, HRG in their reporting to us, so you have seen on some of your things it will say: "Was the lowest fare accepted or not?" Then sometimes there is a reason given and sometimes there is not. But that is down to the person who is booking the flight, they will make the decision. HRG, as Catherine said, use the classic team. The classic team will give them a number of options and

then it is down to the individual at the time to make that decision, based on their own knowledge of timings and meetings and things, yes.

**Deputy S.M. Wickenden:**

In the spreadsheet we got it did not show the exception side of it, so I was not aware of that but thank you for clarifying that.

**Director, Strategic Procurement:**

Okay, it does do that ...

**Deputy A.D. Lewis:**

But when we did a sample of a couple of long-haul trips that are quite regular ones, Beijing and Cape Town, for example, it would appear that the opportunity to take a hub had not been taken because we then did the same exercise using the same data but for later in this year and it was less than half the price, just going by Dubai, Amsterdam, Frankfurt, Dusseldorf. We discussed this in the hearing earlier but for the purpose of the 2 that are here now, at the moment it would not appear, in the training, enough emphasis being made on the use of hub airports because if you do there is a huge saving to be had on long-haul travel. That is why, as investigators that we are, looking at it. You see all these British Airways flights at sometimes 3 times the price of the equivalent, let us say Emirates, going to the same place with a 2-hour layover, no need to go to Heathrow either, that option clearly has not been taken. It may have been thrown out by HRG, we do not know, but it has not been taken. Someone has got to make that decision and that decision-making process is what concerns us. Why is that decision being made? Is it because it is a perfectly legitimate reason? In other words, the layover was not working out with their times for their meetings or did they want to have the extra points or did they want the security of the transfer through British Airways? We do not know the answers to those. But when you are faced with something that is costing 3 times as much than you would have thought the Accounting Officer, in the spirit of the public instruction on the Code of Conduct, that they would have gone for the cheaper option, even though it is still premium travel. I am not talking about economy here, I am talking about premium travel. The example I would give, Emirates via Dubai to Cape Town, £1,900, British Airways direct to Cape Town £6,500?

**Chief Internal Auditor:**

Yes.

**Deputy A.D. Lewis:**

That is the difference we are talking about? Same dates, you know.

**Chief Internal Auditor:**

No. I appreciate that. I cannot comment on any specifics but the point is that if training is done by people they should be phoning up the HRG team to get all the options to make an informed decision.

**Deputy A.D. Lewis:**

Okay. Are we satisfied that HRG are giving that information and the Accounting Officers are just not always taking it?

**Chief Internal Auditor:**

But the thing is the question is if you ask HRG please give me a price directly from Jersey or from London directly to say, Cape Town; if you ask for a direct flight there is only a British Airways flight.

**Deputy A.D. Lewis:**

Yes. That is right. Yes.

**Chief Internal Auditor:**

Therefore ...

**Deputy A.D. Lewis:**

You have got to think outside the box then.

**Chief Internal Auditor:**

Therefore the whole point of the travel people is they are meant to ask a number of things but if the Accounting Officer is asking for just a direct flight that is what HRG will give. I think we have spoken to the Chief Executive of the Treasury about this already, that there are a number of HRG-trained people in the States of Jersey and there is a recommendation to be considered whether or not you reduce that number and invest training in super users and those super users have more knowledge about what you have to do, the rules, et cetera, because there may be some misunderstanding if people have not been trained more recently and those kind of things. I think, although I cannot confirm any audit findings, that sometimes potentially not all the options have been maybe asked or considered, and that might be for various reasons, but the HRG team itself will give it to you if you ask them.

**Deputy S.M. Wickenden:**

But we do not have in the policy, certainly in the Financial Direction, that when you are doing long-haul flights that you have to phone up rather than do this. It just says you have to use HRG.

**Chief Internal Auditor:**

But instead of HRG when ... so this policy says use HRG. People that use HRG have to be trained and pass the training, so by denotation you have to have a corporate contact, and I am sure the Director of Strategic Procurement can give more information on that because I only audit it.

**Deputy A.D. Lewis:**

Yes.

**Chief Internal Auditor:**

I am not the expert.

**Deputy A.D. Lewis:**

Is there anything you want to add?

**Director, Strategic Procurement:**

Well, without doing it to death because we did discuss this earlier, I think the important thing is that we do have a number of bookers and, as we discussed earlier, if you want to go from Jersey to a location outside, international, and you put "direct" it inevitably brings up B.A. because that is the direct flight off the Island. We do need to do some more training, as we said, around making people more aware of going via hubs and stressing that point, perhaps more when we do the training. We do, as Catherine says, more complex travel, our advice and our direction is to go to the call centre and to ask for options but HRG can only provide those options if people ask for the options.

**Deputy A.D. Lewis:**

Yes.

**Director, Strategic Procurement:**

If somebody says: "I want to go direct ..."

**Deputy A.D. Lewis:**

Either they give them, though they then have the choice of whether they accept them or not.

**Director, Strategic Procurement:**

Exactly.

**Deputy A.D. Lewis:**

But that is my point really.

**Director, Strategic Procurement:**

And it is after the event.

**Deputy A.D. Lewis:**

Yes.

**Director, Strategic Procurement:**

What this has highlighted for us is that we need to do some more training probably and we also need to be more assertive when we are giving direction to HRG that they ... we need to empower them probably to be stronger and ...

**Deputy S.M. Wickenden:**

Of course HRG for us on the portal ticks "direct flights only" as a default so you have to go into the advanced options and untick "direct".

**Director, Strategic Procurement:**

Yes, although that is not huge. Again it is a training issue ...

**Deputy S.M. Wickenden:**

But are we changing it?

**Director, Strategic Procurement:**

It is one drop-down menu.

**Deputy S.M. Wickenden:**

But we could change it to it was not the default?

**Deputy A.D. Lewis:**

Do you not have to scroll down to get to that and untick it?

**Director, Strategic Procurement:**

It is one click.

**Deputy A.D. Lewis:**

But you cannot see it until you scroll down.

**Deputy S.M. Wickenden:**

You have to know it is there.

**Deputy A.D. Lewis:**

There are some design issues with the system.

**Director, Strategic Procurement:**

Okay. You do have to know it is there but this again comes down to training, and we do not ... part of the reason is we do not want people doing complex multi-leg flights without going to an expert.

**Deputy A.D. Lewis:**

Yes. No, we understand that. Okay. Just moving on to something slightly different but connected, and on the loyalty points is very much aimed at the Treasurer. When you collect what in some cases is tens of thousands of Avios points as an employee on your card is that a taxable benefit-in-kind?

**Treasurer:**

I was joking with the Comptroller of Income Tax; I was going to bring him with me this afternoon, but I do not believe it is.

**Deputy A.D. Lewis:**

Do you think it should be?

**Treasurer:**

Pardon?

**Deputy A.D. Lewis:**

Do you think it should be?

**Treasurer:**

Do you declare yours as ... no? Sorry.

**Deputy A.D. Lewis:**

I do not have any points. I have 8,000 points at the moment.

**Treasurer:**

Do I think it should be? It is probably a political question, is it not?

**Deputy A.D. Lewis:**

Well, no. I mean ...

**Treasurer:**

It is policy.

**Deputy A.D. Lewis:**

It is policy.

**Treasurer:**

If it is going to be for States employees it is going to be for everyone that works out there as well.

**Deputy A.D. Lewis:**

But benefits-in-kind generally are taxable, yes?

**Treasurer:**

Well, there are an awful lot of benefits-in-kind that are not in Jersey.

**Deputy A.D. Lewis:**

Yes. There are but there are a lot that are so who decides what is going to be added to the benefits-in-kind? Is that a purely political decision?

**Treasurer:**

The States Assembly.

**Deputy A.D. Lewis:**

Okay. All right. Is it something perhaps we should be looking at?

**Treasurer:**

Yes. Benefits-in-kind is on the list.

**Deputy A.D. Lewis:**

That would apply to everybody?

**Treasurer:**

Including car parking.

**Deputy A.D. Lewis:**

I would love to have it on car parking.

**Mr. R.J. Parker:**

Going back to, what is it, the cards and so on, and the incentive. Obviously the system is structured to make people choose that airline over others because of the benefits they receive personally. You also have tied in there the tier points, which you mentioned earlier which relate that if you get a Silver card, you get 50 per cent more basically Avios points, and if you get a Gold, you double the amount you earn on any flights so the more you use them the incentives increase. In addition to that the tier points only last for a year and then you have to build them up again, so the way it has been structured is obviously to try and maximise the number of flights someone takes and therefore to what degree, because you have a system like that, do you think it probably influences people, maybe, to take trips that they should not be doing, or going on the full flexible tickets?

**Treasurer:**

I think in terms of the question of trips they should not be doing, if we are talking about the high-end long-haul flights, no, I do not think that is the case. We talked about the sphere that I work with in Cyril Le Marquand House then. As I said, there is oversight of the flights, the trips, the purpose for the trips. Business case is probably a bit overstating but the case for the trip, who is going on the trip and more importantly, therefore, who is not going on the trip, rather than everyone going on the trip. I do not think that is there at all. I do not think people are booking ... I mean that would be a very sad state of affairs if people are going to China to get points.

**Mr. R.J. Parker:**

No, no. I am basically saying that if you have a situation, Richard, whereby it is a 50:50 whether you go or not, or it is probably 60:40, does it shift you up over that 50 per cent and making it a case for taking that trip?

**Treasurer:**

I think it has to be more than a 50:50 call on whether you go into these things. I think there should be a very strong reason to go on these.

**Deputy A.D. Lewis:**

But they should not be open to that temptation by changing the policy. By changing the policy they would not be.

**Treasurer:**

Well, temptation. Where is the rest of the Code of Conduct? Where does it talk about the integrity?

**Chief Internal Auditor:**

Integrity, honesty ...

**Deputy A.D. Lewis:**

Yes.

**Treasurer:**

Honesty, objectivity.

**Deputy A.D. Lewis:**

Yes. We would like to think you are doing it.

**Treasurer:**

You are starting to suggest that everyone is a crook.

**Deputy A.D. Lewis:**

No, no, not at all.

**Mr. R.J. Parker:**

No.

**Deputy A.D. Lewis:**

No, we are just making sure ... asking the question whether the policy ...

**Treasurer:**

That they are putting their personal interests ahead of the States'.

**Deputy A.D. Lewis:**

By having the policy as it is, is it open to having the finger pointed at it? You said this yourself earlier that you do not want that so hence the policy ...

**Treasurer:**

No. I have said I do not want it but you are suggesting ... you are getting to the point of suggesting that people are going on trips just to get the points.

**Deputy A.D. Lewis:**

We are asking the question as to whether you think that state ... is it an incentive?

**Mr. R.J. Parker:**

Is it an incentive?

**Treasurer:**

No. I do not think that is the case.

**Deputy A.D. Lewis:**

But if it is not then fine, but the policy at the moment is such that they could, therefore the policy needs to change so the finger cannot be pointed at them, which is what you said earlier.

**Treasurer:**

Yes.

**Deputy S.M. Wickenden:**

Yes. We are going around old ground.

**Chief Internal Auditor:**

I think the Code of Conduct ...

**Deputy A.D. Lewis:**

So let us move on to ...

**Chief Internal Auditor:**

Under the Code of Conduct, integrity is very important and if anyone was choosing us an airline to benefit that would question that officer's integrity.

**Deputy A.D. Lewis:**

Yes.

**Chief Internal Auditor:**

I would hope that ...

**Deputy A.D. Lewis:**

We hope too, that has not happened but the evidence at the moment ...

**Chief Internal Auditor:**

... people's integrity would not be ...

**Deputy A.D. Lewis:**

... suggests that that could be the case.

**Chief Internal Auditor:**

I would hope people's integrity would not be that and if that was, that would be subject to disciplinary if there was evidence that they were not behaving with integrity.

**Deputy A.D. Lewis:**

Okay. We are going to move now to ...

**Deputy S.M. Wickenden:**

We are going over old ground.

**Deputy A.D. Lewis:**

Yes. We are going to move on to a question that Scott has got.

**Deputy S.M. Wickenden:**

This is just as your role as the Accounting Officer for your department so it comes within this. What mechanisms do you have in place to measure value for money in respect of travel in your department?

**Treasurer:**

In terms of individual ... so we are just talking about common old garden travel, then that travel would be down to the manager authorising the travel and most of that will relate in actual fact to the training. If people are pursuing a qualification then that would be part of a ...

**Deputy A.D. Lewis:**

The whole value for money?

**Treasurer:**

It is not ad hoc. It is that is what we determined. We are dealing with the individual. We have gone through a process of supporting them through that training. The same goes, if you like, for continuous professional development in terms of making sure that people's development, if it is required, goes. One thing to note there is we are looking, in terms of a new strategy, for training for finance professionals and making better use of webinars. So back to your point about the

equivalent of Skype so that maybe we do not need to send people off as much as we have previously needed to but there is also a great deal of, if you like, self-training we can do even on the internet or between us and there are some opportunities in organisations on-Island. That takes up the majority really of travel spend that takes place.

**Deputy S.M. Wickenden:**

But you do look at it as a value for money: "Of course this is going to benefit us so of course it should be done"?

**Treasurer:**

Yes. That is what training is about. Yes. So as you do investments, it is quite important to keep their skills up.

**Deputy S.M. Wickenden:**

I agree.

**Treasurer:**

It would be quite odd to miss out on a £500 trip or whatever it might be and put at risk tens of millions of pounds because you thought that was ... it goes back to the false economy line.

[16:30]

**Deputy A.D. Lewis:**

Yes.

**Treasurer:**

Outside of that there have not been that many trips in 2015 of a ministerial matter. There have been a couple to London airports to meet with the Isle of Man and Guernsey and the reason for that is it is the best way to do it without either Isle of Man having to do 2 legs to us and the same, or Guernsey and Jersey having to do 2 legs to the Isle of Man. So outside of that ...

**Deputy A.D. Lewis:**

Yes. Would you expect other departments to do cost-benefit analyses on some of their travel?

**Treasurer:**

I do not expect it to be a bureaucracy and something that stops people making the right decision on it.

**Deputy A.D. Lewis:**

Yes.

**Treasurer:**

But, yes, I expect a degree of common sense. Is this the best way of delivering? Does it fit in with our aims, because it is about the development of the individual. Is there a cheaper way of delivering the same results? Could you do it as a group? Could it be brought to the person; the person delivering the training to the Island instead of the other way around? I am sure that they do. My experience of another department was that yes, we do.

**Deputy A.D. Lewis:**

Is that the sort of thing that you would dip sample and check and see what they were doing in terms of value?

**Treasurer:**

I think it is a difficult thing to dip sample and check unless you are going to expect, and maybe a later question to have confirmation of some sort, so we will see that there is guidance in respect of this but more than guidance in respect of the pre-travel authorisation form.

**Deputy A.D. Lewis:**

I think it is more post really.

**Treasurer:**

Pardon?

**Deputy A.D. Lewis:**

It is more post. Pre-travel authorisation, when it is fairly low value you probably would not ... over a long period the total budget you might look at.

**Treasurer:**

Yes. Well, you would expect ...

**Deputy A.D. Lewis:**

Looking backwards.

**Treasurer:**

Yes. What you would expect to do is if someone has done something in the past you would expect someone to be looking at whether they ...

**Deputy A.D. Lewis:**

Need to do it again?

**Treasurer:**

When it next came up to do a similar thing.

**Deputy A.D. Lewis:**

Yes.

**Treasurer:**

That you looked back at whether there was any value coming out of it last time.

**Deputy A.D. Lewis:**

Yes.

**Treasurer:**

Whether it was worthwhile, whether in sharing of the experience or lessons learned that came out of it was worthwhile or whether there was another way of doing it so that an easier one would be ...

**Deputy A.D. Lewis:**

That is what you would expect as part of the normal management routine and we are just asking the question, do you think that is what is going on?

**Treasurer:**

Yes. Not just sending people for the sake of sending them? Yes.

**Deputy A.D. Lewis:**

Do you think that is what is going on? Are you satisfied that that is the sort of process that is going on because you would expect that?

**Treasurer:**

My knowledge is that I think people think about that when they are booking, yes.

**Deputy A.D. Lewis:**

Okay. We were going to cover a little bit more on the centralised booking system but we have covered it very well in the last hearing. However, there is quite a lot of time and effort has been invested in the central booking system and for the large part it seems to be working okay. We have already articulated a few anomalies and things that could be fixed but one of the bits that is

most pertinent to you and the Treasury and Audit, of course, is the back-office trail. One of the ideas of having the central system is a reduction of back-office administration. Are you satisfied that the system is doing that for you and giving you enough information, management information in particular, to justify having the central booking system?

**Treasurer:**

I am having some push-backs from finance teams in terms of the marrying up, perhaps, of the 2 different reports in that the HRG report will not include all costs. So you enter that hotel and you spent some more money while you were there and it went on the bill. That would not come through on the HRG report. It would come through and make it difficult to match and some work to do in terms of the time limits, I think. The reporting we have now is much improved compared to the reporting we had previously and indeed, that reporting would cover just about everything if people stopped using purchase cards to the extent that they use, which has gone down because then that means we are having to look at 2 systems to pull together the data.

**Deputy A.D. Lewis:**

A lot of reconciliation going on? Yes.

**Treasurer:**

If we can put far more on to the system then the reporting would improve. In the States we have got taxes, not taxis, in respect of London hotels, where everyone has this issue.

**Director, Strategic Procurement:**

Some hotels in London do not add the local tax. It is a thing with London hotels. Most hotels in Jersey put G.S.T. (Goods and Services Tax) on but hotels in London do not always put the local tax so the booking fee, which you see on the HRG report for a hotel, may not contain the tax but when you pay the bill ... so when we get the bill back it will include the tax and that is not an HRG problem. That is an industry-wide issue.

**Mr. R.J. Parker:**

I can probably explain that.

**Director, Strategic Procurement:**

Can you? Thank you.

**Mr. R.J. Parker:**

Yes. We have a problem. If you take that we put the G.S.T. and we get charged a percentage, so like hrgbooking.com will charge us a percentage so we are effectively paying ... we pay all the tax

here but we are not getting the recovery related to that money that is being paid out. So on the expenditure of that we are not getting that so maybe in Jersey we should be taking off the tax and following what happens in London because it is obviously on the commissions and it is the way the commission system works behind the scenes. But the other question that comes after that then is that if you have got those issues with taxes and so forth, to what degree does the system then reduce the administration because you have got the 2 systems going, by introducing HRG?

**Director, Strategic Procurement:**

Well, HRG is the booking system so that is where you have got all the detail around what was offered, what was not offered, the time of the flight, who travelled. You have seen ... you have got a huge amount of information. We have not given ... you have not asked for everything. We could give you a lot more if you wanted, and that is not an invitation by the way. But we ...

**Treasurer:**

Yes, it is.

**Deputy A.D. Lewis:**

I think we better look at that.

**Director, Strategic Procurement:**

There is a huge amount of information and we have provided you with quite a lot already, as you have seen. Our finance system is dealing with stuff on to the ledger and the 2 are very different. When we went out look at them there was no complete system which dealt with the booking and the payments into the finance system. As I explained to you earlier, we have got a fairly neat bespoke system which takes the charge from HRG on a monthly basis and drops it into JD Edwards. So the reconciliation, if it is just tax on some hotels and there may be some expenses that have been added, and the other area we discussed earlier was, as you know, if people have either topped up their fare or they are paying additional expenses. I do not think the 2 will ever be completely in sync.

**Mr. R.J. Parker:**

I am just wondering if the controls would not be better if it was not people sorted out or secretaries sorted out the travel. Obviously there are loads of various sites that do that. They load the expenditure on a card, then that had to be authorised and signed off, whereas you have got some of the expenditure going through on HRG and then you have got personal expenditure going through on cards and so forth, related to taxes and other things. I know it is just ...

**Director, Strategic Procurement:**

Yes. The majority of expenditure is through HRG. You can book your hotel, your flight, your rail tickets. You can do ... what else can you do on there? Care hire, thank you, Hayley. So you can do all of those in the same screen on HRG and that will all be charged back. So the element of discrepancy, if you want to call it that, between the booking and what you see on the booking spreadsheet and what you see on the ledger is possibly the tax position. If there is a personal expense which may or may not have been incurred on a purchase card, in which case we have a purchase card expenditure report. So the only other matter is this personal expense where somebody may have accompanied somebody and the person who is ... if it is a partner, money is being bought in as income and income in JD Edwards comes in on a different account to expenditure anyway so the 2 never completely reconcile in the same spreadsheet. I take your point; we are in a lot better position than we were but it is not perfect.

**Mr. R.J. Parker:**

No. And the other one is the money coming into the Island, that all of those visitors who are on States' business come into the island because if it was direct or through a central reservation system, like Visit Jersey or something equivalent, at the moment there is a percentage of all that expenditure that is going out of the Island related to commissions and so forth to them.

**Deputy A.D. Lewis:**

That has certainly been raised by another hotelier. I had an email in this morning asking whether that was a possibility to change, albeit it would then break up your booking system and you would have an anomaly of this little one sitting out here that books local hotels, but it would benefit the industry obviously and you would get a bit more tax revenue. But I do not know whether that is even worth considering but certainly one hotelier was quite vociferous about it in an email this morning.

**Chief Internal Auditor:**

I think, given Mr. Parker's expert knowledge in the hotel industry, that I am sure that we welcome his opinion and help, if he may consider later ...

**Deputy A.D. Lewis:**

Well, the industry has brought it up so perhaps it is something we could take offline and discuss?

**Chief Internal Auditor:**

Yes. I think your point and your expert opinion and your contacts in the industry are exceptional and we would welcome any feedback you gave, I am sure, in that area. Thank you for that in advance.

**Deputy S.M. Wickenden:**

This is a systems issue, is it not? JD Edwards has done us well for a very long time but it is kind of getting to its end of life and with the eGov programme we are going to be moving onto other systems without a doubt at some point that will probably link up better with a front-end system and a booking system because it will talk to the new system. It will replace it probably in a much more synchronised way I am sure.

**Deputy A.D. Lewis:**

At the moment one of those key objectives of having the system which was a better backend you are satisfied that you are getting a lot more information than you had before when it was booked all over the place with credit cards and goodness knows what, so perhaps some success there in terms of information. I was going to go on to some more questions for the Chief Internal Auditor, if I may? What I am interested in finding out really is what reviews have you undertaken into travel and subsistence expenses in particular in the last 3 years? What have you specifically done in that area?

**Chief Internal Auditor:**

The role of a Chief Internal Auditor is to provide assurance to the Chair and Chief Executive on a number of systems and controls. Our audit plan is on a risk-based approach, which has everything we have the expenditure to grant to, including travel and accommodation. But it spans a number of areas. We have done a number of audits. For example, we have done an audit of travel and accommodation used with purchase cards. That basically automatically said this is travel and accommodation not booked through the HRG system to understand why people are not using the HRG system, and if it has been used for that why it has not; is it a compliance issue or for a different reason? So we have done an audit on that. We have done samples on a continuous basis of expenses. That is not just meals, travel and accommodation. It is to do with a number of expense items across the States of Jersey. As I said to you before, if any concerns I had, and I was looking at that breach policy and procedures, I would raise them directly with the Chief Executive and the Treasurer and the rest of the Chair and the Audit Committee, who I also report in to. We have done an audit on purchase cards. So an audit on purchase cards, obviously our sample would be more than just travel and accommodation, but by looking at purchase cards you will look at things like subsistence allowance, if it has been breached, how people used their purchase cards and pay for taxis on purchase cards in London; so have they taken public transport or not? Have they booked a hotel not using HRG and, if they did not, was it good value for money? So if someone was flying from London to Jersey return and they were travelling with easyJet and the flight was cancelled easyJet would not necessarily put them in a hotel. You cannot phone HRG up at 9.00 p.m. at night so there are reasons why ...

**Deputy A.D. Lewis:**

Apparently you can.

**Director, Strategic Procurement:**

No, you can.

**Chief Internal Auditor:**

Well, you can but you may not ... okay. But you may not necessarily have the number, et cetera, or you may not have an iPad, et cetera, so you may be able to call them but if you have no hotel you may decide to put it on a purchase card, maybe if you did not have access to their details. There are reasons why, so we do do a number of audits.

**Deputy A.D. Lewis:**

You mentioned the purchase card as one particular thing that has been flagged up, the use of purchase cards more than you perhaps would like because it does muck up the audit trail. Is there anything else that you have found in your dip sample on this particular area that has given you any concern?

**Chief Internal Auditor:**

For example, we raised an internal report, the point on these allegations; so accountants approving their own expenses and that is self-approval. So an internal audit report we issued last year we did make the recommendation that the Chief Executive, or now it is Treasurer, approve expenditure of Chief Officers, which has been implemented, which is good to show the Chief Executive's interactive approach in implementing an audit recommendation on that. Similarly to that, we made recommendations in regards to a scheme of delegation, and the Treasury has taken those points on board along with the Financial Advisory Board, which you have heard earlier, in regards to creating an appropriate scheme of delegation to ensure there is appropriate segregation of duties, appropriate approval, but there is oversight by Treasury to make sure of the minimum standard because there is not necessarily consistency on that. So we have had a number of things.

[16:45]

Subsistence allowance; if subsistence allowance has been gone over why has it gone over? It might be because they are in a jurisdiction, something like Zurich, for example, which is quite expensive and the hotel meal, just for having room service, is more than £25 in which case if it has gone over then that is reasonable. We may say that is acceptable but is it a reasonable expense, et cetera? We are also doing an audit on gifts and hospitality registers, so that again brings up

things that if we are giving out entertainment is that appropriate and to what level? If we are accepting entertainment and gifts, is that appropriate? At what level? Although it is not necessarily the core of travel and accommodation, quite a lot of the trips we have are trips of equivalent of ambassadors or people going to Jersey to promote Jersey, so there is an argument that sometimes when you are there that you may have legitimate entertainment and that again forms part of travel and accommodation and expenses because part of the trip is that. Then we look at whether or not there is excessive spending; if there is we would if it was appropriate, if it was deemed we would speak to the Accounting Officer and to the Chief Executive and Treasurer, if required.

**Deputy A.D. Lewis:**

Okay. Sounds like you are doing a lot, which is great.

**Chief Internal Auditor:**

We have and the Treasurer has requested us to do the expenses review on an ongoing basis and that drives culture. So one of the really important things is about culture behaviour and having an organisation that now does do live sampling, and that it is requested by the Treasurer, and helps drive culture in terms of people knowing that their expenses are being looked at on a more regular basis. Certainly I was in a meeting with the Chief Executive last month when he was briefing the Ministerial Chief Officers about appropriateness of entertainment and gifts and hospitality to help drive culture and behaviour, and we continue to audit that and we will do a follow-up on our audits in other departments later this year.

**Deputy A.D. Lewis:**

Okay. Do you feel, Richard, then that culture and behaviour has changed quite a lot in the States over the last 5 years with these sorts of initiatives and flagging up issues and changing procedures and policies?

**Treasurer:**

Yes. I would say it probably changed over a longer period than that, as it has in the private sector as well, so probably came from a different base than the public sector. I remember the private sector being a bit more ... shall we just say different? I think that it has and I think as we go through, in particular, the cuts and savings that we are looking at and the efficiencies that people are looking at what is spent, probably more than they used to. Much more than they used to in some cases because some of these items of expenditure might be the easy savings to make. I think you are seeing that part of the transformation process, undoubtedly, but also, I suppose, probably less pleasing is that people need compliance checks to be in place if that is the incentive they need and we will provide the compliance checking. But, yes, I think over the period of time,

probably longer than 5 years, that has seen quite a change in the extent to which people ask the question.

**Deputy S.M. Wickenden:**

I will just end on this. I think at a recent P.A.C. hearing we asked you a question about financial management, Financial Direction 5.7, where you said: "Financial Direction in this instance is very clear. If you combine it with the Code of Conduct it is also very clear" and that was about how it was used. Do you stand by that still, that the Financial Direction is still very clear?

**Treasurer:**

Still looks pretty clear. As I pointed out the scheme of delegation, this is underneath in ...

**Deputy A.D. Lewis:**

Yes. That is the unclear bit.

**Treasurer:**

It is clear.

**Deputy A.D. Lewis:**

That is what you are doing work on?

**Treasurer:**

How we have been using it is a different matter.

**Chief Internal Auditor:**

I think that evidence, Internal Audit have done a number of pieces of work on doing themes about schemes of delegation. I am speaking to C.M.B. (Corporate Management Board) next week on schemes of delegation because I think that is what is key; the Financial Directions have a process. If the scheme of delegation is what drives behaviour and drives signoffs on allowances that is what is imperative to good governance, having appropriate schemes of delegation in place that give responsibility and accountability to the right people and they take that responsibility and accountability, but there is oversight by the Treasury to ensure that is appropriate. That is why I think those are key in the governance procedure and that is why the financial directors, chaired by the Treasurer, has spent an amount of time doing that, and it is pleasing to see from Internal Audit they have taken that proactive step in doing that, and we will do a follow-up audit about how they are working, which will go to the Audit Committee and all our reports go to the C. and A.G. (Comptroller and Auditor General) as well, so it would be pleasing to see how will work in the future.

**Deputy A.D. Lewis:**

Great. Okay. Well, thank you very much. I think that concludes the questions we have. Does anybody else have any other questions?

**Deputy J.A. Martin:**

I just had a question because we have heard it probably 4 or 5 times and it is on Financial Direction on the policy of travel and expenses, about the training. When we see a new policy come in we always see the training, and will we see alongside who will need to be trained, who will need to keep being trained, who will need ... because you said the system is only as good as the people using it and their training and this seems to be overlooked. There is not a budget for it. People come in. Are you confident that when this happens people will be trained?

**Chief Internal Auditor:**

Yes.

**Treasurer:**

I am confident that the training will be delivered. There is a different point. There is a different point as to whether they turn up.

**Deputy A.D. Lewis:**

Okay. But training is key?

**Chief Internal Auditor:**

It is.

**Deputy A.D. Lewis:**

Like Judy says, the systems are only as good as the systems.

**Chief Internal Auditor:**

Yes.

**Deputy A.D. Lewis:**

People have still got to press the buttons.

**Mr. R.J. Parker:**

Andrew, can I just ask one question? I would just be interested. Do we get an override commission back from Hogg Robinson on the contract?

**Director, Strategic Procurement:**

No.

**Mr. R.J. Parker:**

Okay.

**Deputy A.D. Lewis:**

It is purely a management fee for the transactions that are taken.

**Director, Strategic Procurement:**

Yes. Right.

**Deputy A.D. Lewis:**

Okay. Right. Well, thanks very much for your time today.

**Deputy J.A. Martin:**

Thank you. Thank you. Hope you feel better.

**Deputy A.D. Lewis:**

Yes. I hope you feel better.

**Chief Internal Auditor:**

I do not feel bad.

**Treasurer:**

Much better now.

**Deputy A.D. Lewis:**

The last hearing was ...

**Treasurer:**

Have not thought about it for an hour.

**Deputy J.A. Martin:**

He was not feeling well, apparently.

**Deputy A.D. Lewis:**

The last hearing we were testing him. I think we have been kinder to you as we possibly could, Richard, because we know you are not feeling very well and not that we want to be unkind anyway. It has been very useful. Thanks for being so open with us and if you have any further questions we will contact you. There are a few other outstanding matters that we will take up with Procurement which we mentioned in the earlier hearing but thanks for your time today and do hope you are feeling a bit better by next weekend. Okay.

[16:52]