

AUDIT COMMISSION: APPOINTMENT

**Lodged au Greffe on 1st February 1994
by the Finance and Economics Committee**



STATES OF JERSEY

STATES GREFFE

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PROPOSITION

THE STATES are asked to decide whether they are of opinion -

- (a) to appoint an Audit Commission, with terms of reference as detailed in the Appendix to the report of the Finance and Economics Committee dated 24th January 1994;
- (b) to appoint Jurat Peter Gilroy Blampied, O.B.E., as chairman of the Audit Commission for a period of three years;
- (c) to request the Finance and Economics Committee to appoint the six independent members of the Audit Commission; and
- (d) to request all Committees of the States to provide the fullest co-operation and support to the Audit Commission.

FINANCE AND ECONOMICS COMMITTEE

Report

The Finance and Economics Committee, at its meeting of 6th September 1993, considered a report which detailed the results of an independent review of audit services, carried out on its behalf by the accountancy firm, Pritchard Stone and Partners. This firm has extensive public sector audit experience in the United Kingdom, had carried out a similar exercise on behalf of the States of Guernsey and was independent in that it would not be requested to submit a tender for the position of States Auditor. The latter consideration had precluded the use of any local firm with similar experience. The terms of the review were for an independent analysis of the strengths and weaknesses of the present audit service to the States, with recommendations for the strengthening of the audit function, its rôles and relationships, such that a modern effective audit service could be provided to the States of Jersey through the 1990's and into the 21st century.

One of the report's major recommendations was that an independent Audit Commission should be established, with a responsibility for commissioning value for money reviews, and advising the Finance and Economics Committee on the audit service. This recommendation was not a new one, as the report quoted the following extract from the Policy and Resources Committee's Strategic Policy Review and Action Plan 1993 -

"The Policy and Resources Committee is of the opinion that for audit committees to work most effectively they need to be independent and the results of their investigations made public. It is suggested that their rôle would be enhanced if they were linked to a central audit committee or commission which would have the ability to initiate its own enquiries into areas of public administration. The reports of that Committee or commission should be submitted to the Finance and Economics Committee and, together with the comments of that committee who could consult in turn with Establishment Committee (and other Committees) where appropriate, should be presented to the States for consideration."

The report advocated a largely independent membership for the Audit Commission, the power to report in its own name, and a primary

responsibility for initiating value for money reviews and cost reduction exercises across all areas of public administration, co-ordinating and supporting at the same time the efforts of audit committees. It would also provide an advisory function on behalf of the Finance and Economics Committee in relation to all matters concerning the audit service particularly with regard to the combination and co-ordination of the future audit service to be provided on a joint basis by the States Auditor and the Audit Services Division of the States Treasury under the direction of the former Chief Internal Auditor, re-designated the Controller of Audit.

The report also gave consideration to the resourcing of the Audit Commission. In addition, and supplementary to, the existing value for money audit work carried out by the Audit Services Division and the Audit Committees, the report identified that within the States administration there exists a wealth of experienced and talented officers, many of whom would welcome the opportunity to undertake value for money reviews.

Subject to operational availability, these officers could be seconded on a short-term temporary basis to assist in carrying out value for money reviews on behalf of the Audit Commission. It was also recognised in the report that the new joint approach to the audit service was likely to result in a lowering of the overall cost of audit services without any adverse effect on the quality of service. It was proposed that part of these savings, subject to the approval of the Finance and Economics Committee, be retained and made available to the Audit Commission to buy specialist services where these would be required on the more complex value for money reviews.

The Finance and Economics Committee approved the report's recommendations, and decided to refer the proposals to the Chief Officers Policy Group and the Policy and Resources Committee. In expressing its support for the decision of the Finance and Economics Committee to establish an Audit Commission, the Group gave the opinion that such a body will be most successful in carrying out value for money reviews across all areas of public administration, and generally seeking to ensure that States policies are carried out most effectively with the least claim on the resources available, if the Commission is independent, has clear reporting lines and terms of

reference, and is adequately resourced. The Group also supported the idea that a pool of experienced officers within States Departments should be available to the Audit Commission to form review teams from time to time, supplemented, if necessary, by the ability to obtain resources from the private sector on a contract basis.

Jurat Peter Blampied has been invited by the Finance and Economics Committee to allow his name to be put forward for the chairmanship of the Audit Commission. He has confirmed that he would accept if his appointment is approved by the States.

Jurat Blampied and the Controller of Audit have together drafted terms of reference for the Audit Commission and these are attached as an Appendix to this report. They are intended to reflect views already expressed as to how the Audit Commission should operate, particularly with regard to its independence, its membership, responsibilities and how it will be resourced to carry out the tasks given to it. Jurat Blampied has expressed the view that the six independent members should not be appointed until the States have approved the terms of reference, to allow potential candidates to understand fully the rôle they would be asked to undertake. It is the intention of the Finance and Economics Committee, if its proposition is approved by the States, to appoint the six independent members at the earliest opportunity. The Finance and Economics Committee has agreed to appoint its Vice President, Deputy Derek Maltwood, as its Audit Commission member.

In conclusion, the Finance and Economics Committee is firmly of the view that an independent Audit Commission will be of great benefit to the States of Jersey and to the taxpayers of the Island. Operating successfully it will become the established mechanism for encouraging and promoting higher standards and quality in financial management, accounting and audit, and overall management of States resources.

24th January 1994

APPENDIX**STATES OF JERSEY
AUDIT COMMISSION
DRAFT TERMS OF REFERENCE**

The Audit Commission is appointed and authorised, by the States of Jersey, to initiate a programme of value for money reviews across all areas of public administration, and to report thereon to the States, through the Finance and Economics Committee. It will also advise and assist the Finance and Economics Committee on matters relating to the audit of the accounts of all States Committees.

Membership

The independent status of the Audit Commission is of paramount importance, reflected in its membership, as follows -

An independent chairman, appointed by the States, on the recommendation of the Finance and Economics Committee.

Six independent members, appointed by the Finance and Economics Committee.

One member of the Finance and Economics Committee.

The Chief Adviser, the Treasurer of the States and the Chief Executive Officer, Personnel shall be entitled to attend Audit Commission meetings in an ex-officio capacity.

The Controller of Audit shall be the Executive Officer of the Audit Commission.

All appointments shall be for a term of three years. If any member resigns during their term of office, a replacement shall be appointed by the Finance and Economics Committee for the remainder of the term. If the chairman resigns, the independent members shall appoint a chairman from amongst their number, and the name of the new chairman shall be reported to the States.

Membership of the Audit Commission shall be on an honorary basis. The approval of the Finance and Economics Committee is required to any scheme for the reimbursement of Audit Commission members' expenses. All members of the Audit Commission, whilst in that capacity, shall act in an independent manner. Any conflict of interest which may arise on any item under discussion shall be declared to the chairman.

Meetings and reporting

The Audit Commission shall meet not less than six times a year, and the quorum for all meetings shall be four members.

In the absence of the chairman, the members in attendance may select one their number to act as chairman for the meeting.

All meetings of the Audit Commission shall be recorded, and the minutes signed by the chairman.

The Audit Commission may report to the Finance and Economics Committee, on such matters and at such times as it thinks fit, and may request the Finance and Economics Committee to present any such report to the States. By 31st March each year the Audit Commission shall submit an annual report to the Finance and Economics Committee.

No report of the Audit Commission may be published other than through the procedure outlined above, and the Audit Commission shall provide for the inclusion in all its reports of comments of relevant Committees of the States.

Members of the Audit Commission shall maintain the confidentiality of matters under discussion, and shall not publicly release any information nor make any public comment without the express approval of the chairman. The Audit Commission may from time to time authorise the chairman to make public comment on its behalf.

Responsibilities

The primary function of the Audit Commission is to initiate a programme of value for money reviews across all areas of public administration and to report thereon. It will have particular regard to -

the procedures adopted by States Committees and Departments to secure good value for money;

the management and administration of those procedures;

reporting on whether the procedures, in the opinion of the Audit Commission, are achieving their objective;

identifying, and reporting on, those areas where cost reduction and efficiencies may be achieved;

the rôle of Audit Committees, appointed by certain States Committees.

The rôle of the Audit Commission in relation to the Audit Committees is one of providing co-ordination and support. The Audit Commission shall -

meet annually with the chairmen of the Audit Committees;

request Audit Committees to undertake investigations on its behalf;

ensure that Audit Committees are provided with adequate audit resource and support to fulfill their function;

receive all the reports of the Audit Committees, together with the comments of their parent Committees.

The Audit Commission will also advise and assist the Finance and Economics Committee on all matters relating to the audit of the accounts of all States Committees. These matters shall include -

the joint audit planning memoranda produced annually by the Controller of Audit and the States Auditor, and the strategic and operational audit plans;

the annual report of the Controller of Audit and the States Auditor on the rôle, efficiency and effectiveness of the Audit function, and audit resource requirements;

all audit reports issued by the Controller of Audit;

the appointment of the Controller of Audit and the States Auditor;

the implementation of agreed audit recommendations;

the overall effectiveness of internal control systems established within States departments to protect assets and prevent loss of any kind.

Resources

To assist the Audit Commission in carrying out its functions, it will be provided with support, as follows -

The Controller of Audit will act as its Executive Officer, and co-ordinate the following staff resources -

- (a) Staff of the Audit Services Division identified, within strategic and operational Audit Plans, as being available to assist with value for money reviews. These will include the VFM Audit Manager and senior audit staff.
- (b) Senior staff made available by States Departments on temporary secondments to the Audit Commission. The Controller of Audit will develop and maintain a list of officers who have indicated they would be available from time to time, to participate in value for money reviews.

Subject to the adequacy of resources available above, and to various specialist services which may be required for certain reviews, the Audit Commission may contract services from the private sector with the prior approval of the Treasurer of the States.

Supporting Authority

In order to provide the Audit Commission, and any officer or consultant undertaking work on its behalf, with access to all records information and explanation required to carry out the responsibilities given within these Terms of Reference, the Finance and Economics Committee has defined the work of the Audit Commission as falling within the term 'internal audit'. The provisions of Article 10 of Public Finances (Administration) (Jersey) Law 1967 shall therefore apply to the Audit Commission, through the authority of the Treasurer of the States.