STATES OF JERSEY

FINANCIAL MANAGEMENT AND INTERNAL CONTROL – FOLLOW UP (R.118/2025): EXECUTIVE RESPONSE (R.118/2025 RES) – COMMENTS

Presented to the States on 17th November 2025
by the Public Accounts Committee

STATES GREFFE

2025 R.118
Res.Com.

COMMENTS

The Public Accounts Committee (PAC) presented the Executive Response to the Comptroller and Auditor General's (C&AG) report 'Financial Management and Internal Control – Follow Up' on 16th October 2025 (the Report). The PAC has given further consideration to the Executive Response since presenting it, and has agreed to present the following comments:

Recommendation One

Recommendation	**R1** Enhance the management information produced, reviewed and challenged in respect of departmental expenditure to include: • regular reporting of procurement breaches and exemptions to Senior Leadership Teams, the Government Risk and Audit Committee and the Non-Ministerial Departments Audit Committee; and • links to operational service and workforce plans.
Risk of Non-Implementation	If procurement breaches and exemptions are not reported to Senior Leadership Teams, the Government Risk and Audit Committee and the Non-Ministerial Departments Audit Committee then those bodies may be unaware of the extent of non-compliance with Public Finances Manual requirements resulting in the potential for sub-optimum value for money and the potential for fraudulent or corrupt transactions.
Risk Profile	Low
Other Considerations in prioritisation	Any additional reporting requirement will require resource to deliver. Officers in departments already have access to the dashboard for Omnitrack (the breaches and exemptions system). It is noted that the development of detailed management information to inform specific operational service and workforce planning would require significant effort and resource. This remains an aspiration for GoJ, but implementation will depend on prioritisation of objectives within departments. However, existing management information that is available in this area, such as the P.59 reporting, will continue to be leveraged to inform decision making.
Is the recommendation agreed?	Agreed in part. As part of the GoJ response to the PAC report on procurement, Commercial Services has undertaken to review reporting provision.

Improvement theme	Breaches and exemptions oversight and lessons learned

The PAC welcomes the agreement of the Government of the Jersey (the Government) with recommendation one of the C&AG report. However, the Committee is concerned that the risk of non-implementation of the recommendation has been allocated a risk profile of 'Low' given that the risk identified is one of sub-optimum value for money and the potential for fraudulent or corrupt transactions.

The Executive Response states that any additional reporting requirement in this area will require resource to deliver. The PAC understands that information on breaches and exemptions is already collected by Government and therefore is unsure as to why additional resources are required and would anticipate the resource implications to be limited.

The Executive Response further outlines that whilst the development of detailed management information to inform specific operational service and workforce planning remains an aspiration for Government, this would require further resources and that implementation will depend on prioritisation of objectives within departments. The PAC is of the view that use of this form of information is standard best practice in financial management, and it is therefore challenging to see why development of its use should not be prioritised.

Furthermore, the Committee would highlight that the C&AG recommendation would also strengthen the Government's actions to meet the partially accepted recommendation two of the PAC's Procurement by the Government of Jersey (P.A.C.2/2025), concerning monitoring of the implementation of guidance surrounding breaches, which was allocated a 'medium' risk profile by Government.

Action theme	**Actions**	**Linked Recs**	**Target date**	**Responsible Officer**
Breaches and exemptions oversight and lessons learned	○ Review Commercial Services reporting provision, to ensure that information available (including to the GoJ Risk and Audit Committee), such as breaches and exemptions, can be appropriately used for identifying and improving processes, and performance management, as appropriate. Where reporting process do not seem to be adding	1	End 2026	Director, Commercial Services

	additional value, consider resource/benefit in production of such reports.

The PAC notes that the action outlined by Government in response to recommendation one, namely to review Commercial Services reporting provision, has been set a target date of the end of 2026. The PAC contends that this is a long timeframe for implementation of the recommendation.

The Committee accordingly concludes that the risk profile of recommendation one should be re-evaluated, and that actions arising should be given higher priority with the timeframe for implementation amended consequently.

<u>Recommendation Two</u>

Recommendation	**R2** Review the Terms of Reference of the Corporate Governance Framework Group. In doing so consider: • the role it should perform in providing assurance on internal control compliance; and • how frequently the Group should meet to ensure it discharges its responsibilities.
Risk of Non-Implementation	It the Terms of Reference are not reviewed, there may be a missed opportunity to review how GoJ oversees its governance arrangements on a strategic level.
Risk Profile	Low
Other Considerations in prioritisation	It is considered that, in the absence of a wider review of the governance landscape, updating the ToR alone may not achieve the anticipated objectives. Such a review could then inform any changes to remit of governance groups.
Is the recommendation agreed?	Agreed. Whilst accepted, this work may not be prioritised amongst other activity.
Improvement theme	Organisational responsibility for corporate governance

Once again, the PAC welcomes the agreement by the Government of recommendation two noting that this will help to protect sufficient and correct governance arrangements on a strategic level. However, the Committee is concerned that the recommendation has been assigned a 'Low' risk profile and may not be prioritised amongst other activity.

The PAC understands that the C&AG found that the Corporate Governance Framework Group only met on three occasions in 2023 and 2024 and that as currently constituted that group is not undertaking activities that assess the effectiveness of the Corporate

Governance Framework. The Committee would highlight that activities to assess effectiveness of the Corporate Governance Framework on an ongoing basis are a fundamental part of good governance. It is therefore disappointing that the Government do not intend to prioritise this activity.

Recommendation Four

Recommendation	**R4** Change the senior level support arrangements for the Risk and Audit Committee to create a degree of independence from internal audit.
Risk of Non-Implementation	If not implemented, then there is the potential that the support to the Committee is within the scope of Committee's oversight, creating a risk to independent advice and support.
Risk Profile	Low
Other Considerations in prioritisation	In a small jurisdiction it is challenging to establish a governance regime with complete independence We are aware of the current arrangements creating actual issues with independence. However, given the importance of the Risk and Audit Committee in directly overseeing audit functions, there may be an opportunity to improve liaison with the Committee to ensure senior level support is as independent as practically possible and minimise any perceived risks.
Is the recommendation agreed?	Agreed
Improvement theme	Support to Risk and Audit Committee

The PAC has noted that although the Government has agreed with recommendation four, the Executive Response is not clear how other considerations in prioritisation, specifically that *"there may be an opportunity to improve liaison",* will impact relevant actions of the Treasurer of the States of Jersey in reviewing the situation of support arrangements with the Risk and Audit Committee.

The PAC would suggest that this may not appear to be committing to implementing the recommendation to change the support arrangements, and that clarification should be provided.

Recommendation Five

Recommendation	**R5** Strengthen the role performed by the Risk and Audit Committee in respect of reviewing and challenging the action being taken by Government to implement recommendations from internal audit, the C&AG and regulators. In doing so, clarify the objectives and expected content of the deep dive sessions undertaken with individual departments.

Risk of Non-Implementation	If not implemented, then the Risk and Audit Committee may not be able to advise on whether the C&AG and other regulator's recommendations are addressing observed risks, and influence the government to prioritise activity in line with any observations.
Risk Profile	Low
Other Considerations in prioritisation	The Chair of Risk and Audit Committee considers the current process to be adequate, but will continue to review its processes to ensure effectiveness. This will be supported by the implementation of a system to replace the current tracker, which is currently in the final stages of development. The interface and dashboards have been designed to make it more effective for action owners to provide updates and how tracked activity is being progressed against agreed targets.
Is the recommendation agreed?	Agreed. The Risk and Audit Committee will be asked to review their activity in this space alongside other priorities in terms of agenda setting.
Improvement theme	Oversight of improvement activity and learning

The PAC further welcomes the agreement of recommendation five. However, the Committee notes that the Chair of Risk and Audit Committee considers current processes to be adequate in respect of reviewing and challenging the action being taken by Government to implement recommendations from internal audit, the C&AG and regulators. This view is contrary to the findings of the C&AG, for example R.118/2025 identifies:[1]

> *"The Committee receives presentations from different departments at each meeting. These presentations do not focus sufficiently on key areas of risk and on key control weaknesses identified by internal audit and external audit, regulators and the Public Accounts Committee."*

Recommendation Seven

Recommendation	**R7** Finalise the articulation and implementation of the Government risk appetite statements
Risk of Non-Implementation	If not approved by Executive Leadership Team and Council of Ministers (COM) then it may be difficult to achieve key stakeholder understanding of both strategic and operational risk-based priorities, and risk appetite may not match risk response, resulting in increased risk exposure and/or an imbalance of effort to mitigate vs potential tolerance.
Risk Profile	Medium

[1] C&AG, Financial Management and Internal Control – Follow Up 23 July 2025

Other Considerations in prioritisation	Internal discussions to promote finalising the GoJ risk appetite statements will continue. It is important to note, however, that these are strategic aspirations in relation to the level of potential risk control, and that therefore immediate changes to risk profile are not likely as many involve programmes of work. T&E will support risk owners to identify the highest risks to address and consider whether additional investment is required to control risk in line with appetite and plan accordingly.
Is the recommendation agreed?	Agreed.
Improvement theme	Better define risk appetite

The PAC notes that recommendation seven has been agreed and welcomes the allocated risk profile of 'Medium' which matches the importance of articulation and implementation of the Government risk appetite statements.

Action theme	**Actions**	**Linked Recs**	**Target date**	**Responsible Officer**
Better define risk appetite	o Finalise the articulation and implementation of the Government risk appetite statements, both in respect of strategic priorities and systems of governance to align process with appetite.	7	June 2026	Head of Risk

The PAC however further notes that the action outlined by Government in response to recommendation seven to finalise the articulation and implementation of risk appetite statements has been set a target date of June 2026.

The PAC contends that this is a long timeframe for implementation of the recommendation, specifically given that responses to earlier C&AG reports, such as Risk Management – Follow Up (R.150/2022 Res.), gave completion dates of actions concerning formally reviewing risk appetites as during 2023.

The PAC notes that at the time of audit work undertaken in September 2024 to April 2025 a paper submitted to the Executive Leadership Team, in September 2024, had yet to be evaluated. **The Committee therefore challenges the Executive Response's timescale and would advise that the action is undertaken by March 2026.**

Recommendation Eight

Recommendation	**R8** Require departments to evidence that they are undertaking regular reviews of the effectiveness of

	their control environments and actions in reducing risk scores, including testing of existing controls.
Risk of Non-Implementation	If departments are not reviewing their control environments regularly then risks may not be appropriately mitigated, resulting in potential risks to service delivery, financial loss, litigation and higher insurance claims.
Risk Profile	Medium
Other Considerations in prioritisation	There are a number of systems already in place to identify whether AOs are regularly reviewing their control environments with a view to identifying areas for improvement, where appropriate and proportionate. The Governance Statement process involves a review of departmental systems of governance and includes a self- assessment of whether systems of internal control are adequate in principle and complied with in practice, which has been reintroduced in line with R3 above. In addition, metrics embedded within the Enterprise Risk Management system enable oversight of effectiveness of risk controls. The central risk team continues to promote active risk management with departments. As part of this, controls are reviewed and monitored, and deep dives undertaken and shared for key risks, with departments having a priority focus on risks recorded on the corporate risk register.
Is the recommendation agreed?	Not agreed.
Improvement theme	No action at this time.

The PAC is concerned that recommendation eight has not been agreed with by Government. The Committee would highlight that although the Executive Response identifies that "there are a number of systems already in place to identify whether Accountable Officers are regularly reviewing their control environments with a view to identifying areas for improvement, where appropriate and proportionate", these systems need development and improvement, including better use of technology to support monitoring.

Given the 'Medium' risk profile of non-implementation, the Committee agrees that departments should be required to specifically evidence that they are undertaking regular reviews of the effectiveness of their control environments and actions in reducing risk scores, including testing of existing controls.

<u>**Recommendation Thirteen**</u>

Recommendation	**R13** Ensure that the HCJ Financial Recovery Plan is updated to address the weaknesses identified in this report, including:

	• a focus on the actions to be taken to manage rising costs of social care and mental health packages, high-cost drugs and off Island contracts and to better control permanent staff vacancies through establishment control and productivity to avoid excess overtime • a focus on specific actions to realise the efficiency savings identified by benchmarking services • specific actions to be taken to address the deficits in income from private patient activity; and • specific actions to be taken to improve internal controls and compliance.
Risk of Non-Implementation	If not implemented, spend may continue to increase beyond an affordable level. The impact of this would be a reduction on patient services.
Risk Profile	High
Other Considerations in prioritisation	Rising demand and costs of health and care will need to be addressed: it is recognised that adjustments to the FRP could be beneficial in helping manage these areas of spend.
Is the recommendation agreed?	Agreed.
Improvement theme	Financial Recovery Plan, HCJ

Action theme	**Actions**	**Linked Recs**	**Target date**	**Responsible Officer**
Financial Recovery Plan - HCJ	• Update the Financial Recovery Plan in order to address various matters, such as: o Rising costs of care, drugs and off Island contracts o Efficiency opportunities through benchmarking o Deficits in income from private patient activity o Internal control	13	End 2026	Financial Director, HCJ.

The PAC welcomes the agreement with recommendation thirteen, and the allocation of a 'High' risk profile of non-implementation. The Health and Care Jersey Financial Recovery Plan is of key concern given the additional expenditure above those agreed within Government Plans or budgets, with a risk of spend continuing to increase beyond an affordable level, impacting patient services.

The Committee would therefore question the long implementation date of updating the Financial Recovery Plan as the end of 2026. The PAC believes further reasoning behind this timeframe be given and suggests that this should be reduced to, at minimum, June 2026 to allow for accurate budgeting to be taken forward.

Conclusion

Overall, the PAC welcomes the Executive Response to the C&AG report Financial Management and Internal Control – Follow Up, noting the agreement with the majority of recommendations made. However, the Committee has highlighted concerns on the allocated risk profile and the indicated timeframe for implementation of actions in some cases. The Committee would request that further consideration be given in these areas and the PAC will follow up the points raised in due course.