

SPECIAL FUNDS

**ACCOUNTS OF THE LARGER SPECIAL FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2008**

DECEMBER 2009

Special funds
Accounts of the larger funds for the year ended 31 December 2008
December 2009

Introduction

1. Some months ago I published a report on the management of the Lord Portsea Gift Fund and made observations concerning the management of the investments of other Special Funds within the care of the States. That report included a list of the funds concerned.
2. Since that report was published more work has been undertaken and the purpose of this report is to set out the basis on which that work was undertaken, the results of that work and the steps which are to be taken in future.

Approach

3. Following the publication of my earlier report, I agreed with the Head of Shared Services in the Treasury and Resources Department that I would undertake audits of the accounts of the eight largest Special Funds with a view to publishing those accounts and a suitable audit report.
4. It was envisaged that, in future years, the Treasury and Resources Department would publish the annual audited accounts of each of these major funds on a regular basis. It was also envisaged that, in 2010, an exercise would be undertaken to audit the accounts of a group of the next largest Special Funds.
5. The intention of this work is to reach a position in which the annual audited accounts of the major Special Funds within the care of the States Department are audited and published on a regular basis as a routine.

Accounts for the year ended 31 December 2008

6. In an annex to this report, I am publishing the audited accounts for the year ended 31 December 2008 of the eight largest funds within the care of the Treasury. These funds are:
 - (1) The Lord Portsea Gift Fund;

Special funds
Accounts of the larger funds for the year ended 31 December 2008
December 2009

- (2) Rivington Travelling Scholarship Fund;
- (3) Ann Alice Rayner Fund;
- (4) E J Bailhache Estate;
- (5) Greville Bathe Fund;
- (6) H E Le Seilleur Estate;
- (7) Le Don De Faye; and
- (8) Ecology Fund.

7. In that annex, each Fund's accounts are accompanied of brief notes on the origin of the Fund, the purposes for which it was established and the arrangements currently in force for its management and oversight.

Audit conclusions

8. Among many other matters, it would be normal audit practice to ensure that payments from a fund have been consistent with the purposes of the fund and have been properly authorised. It would also be normal practice to ensure that the balances of a fund brought forward from previous years were properly stated: normally by ensuring that a fund's previous accounts have been subject to audit.

9. It became clear that it is some years since the accounts of these funds have been audited in detail if indeed audited accounts ever have been published. Therefore, in consultation with the Treasury and Resources Department, and in limiting the volume of auditing work that would be required, I decided that I would not audit the disbursements made by these funds before 1 January 2007. This is the basis upon which the audit work was then carried out.

10. In the case of all of the funds I have been able to inspect the original vouchers for expenditure from these funds during 2007 and 2008.

Special funds
Accounts of the larger funds for the year ended 31 December 2008
December 2009

11. Accordingly, subject to the exception to normal audit practice which I have noted above I am of the view that the accounts for the funds set out in the volume annexed to this report provide a true and fair view of the income and expenditure of the funds and of the state of affairs of the funds as at 31 December 2008.

Other observations

Investment management

12. In my earlier report on the Lord Portsea Gift Fund, I observed that the investments of the fund did not appear to have been actively managed by the Treasury and Resources Department. I said in that report that I understood that the investments of other Special Funds had been treated in a similar manner. The accounts annexed to this report demonstrate that this has indeed been the case.

Governance of the EJ Bailhache Estate and the HE Le Seilleur Fund

13. Secondly, I note that in most cases, the management of the funds with which this report is concerned is under the oversight of a delegation either of Jurats of the Royal Court or of trustees appointed for the purpose. This ensures that appropriate processes are followed by States Departments in seeking applicants for grants from the funds and allocating the funds available between applicants. Where such arrangements exist they have operated in an exemplary fashion.
14. In two cases, this practice has not been followed. The E J Bailhache Estate and the H E Le Seilleur Fund and both managed internally within the Health and Social Services Department. In these cases, cases which would benefit from assistance that might be provided by one of the funds are identified by the staff of the Department, decisions on grants are then made by senior officials of the Department and payment is authorised by senior officials in the Department.
15. Since the resources of these two funds are substantial this difference in practice does not appear defensible, not least because it creates the risk that senior management of the Department will seek to monopolise the use of the funds.

Special funds
Accounts of the larger funds for the year ended 31 December 2008
December 2009

16. Accordingly, I recommend that the use of these funds should be subject to the oversight of a delegation of appropriately nominated people on a basis similar to that applied to other major Special Funds: i.e. the work of the Department of Health and Social Services in this respect should be subject to the form of oversight which the States deem appropriate in other cases.

Special funds
Accounts of the larger funds for the year ended 31 December 2008
December 2009