
NSW Treasury

Annual Reporting Reform 2022

Discussion Paper

June 2022

Acknowledgement of Country

The NSW Treasury acknowledges that Aboriginal and Torres Strait Islander peoples are the First Peoples and Traditional Custodians of Australia, and the oldest continuing culture in human history.

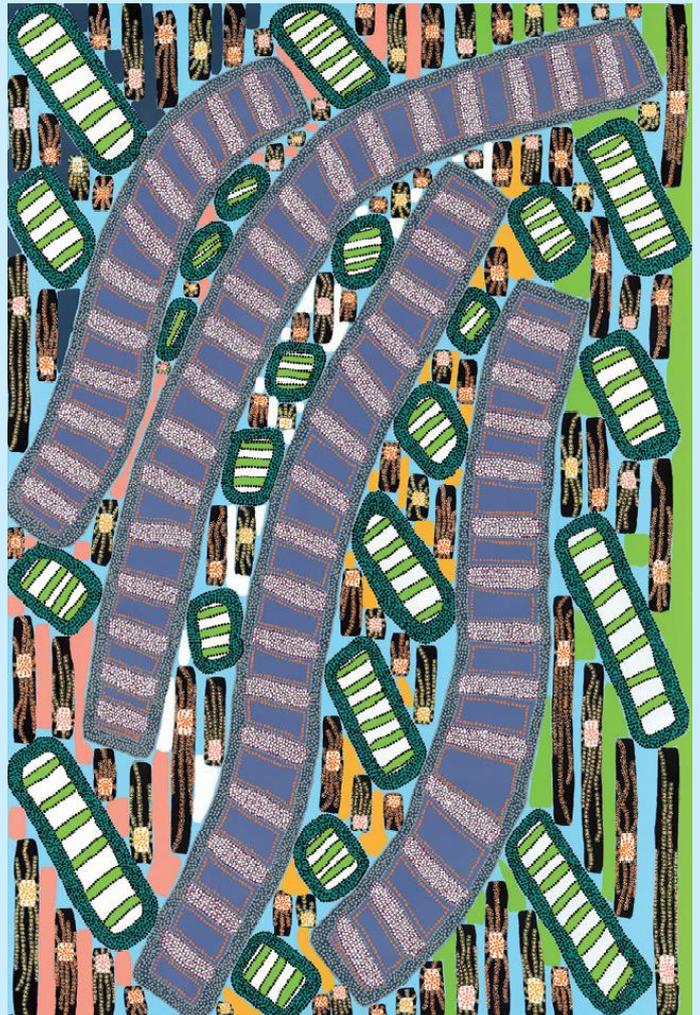
We pay respect to Elders past and present and commit to respecting the lands we walk on, and the communities we walk with.

We celebrate the deep and enduring connection of Aboriginal and Torres Strait Islander peoples to Country and acknowledge their continuing custodianship of the land, seas and sky.

We acknowledge the ongoing stewardship of Aboriginal and Torres Strait Islander peoples, and the important contribution they make to our communities and economies.

We reflect on the continuing impact of government policies and practices, and recognise our responsibility to work together with and for Aboriginal and Torres Strait Islander peoples, families and communities, towards improved economic, social and cultural outcomes.

Artwork: 'Regeneration' by Josie Rose



Contents

Acknowledgement of Country	a
Abbreviations and terms	b
Executive Overview	d
Starting a conversation.....	1
1. Introduction	3
1.1 About agency annual reports.....	3
1.2 The opportunity.....	3
1.3 The process	3
1.4 Research and findings.....	4
1.5 Targeted consultation and expert views.....	10
1.6 Summary of key findings from the research and consultation.....	11
Looking for your feedback.....	12
2. Proposed way forward	13
2.1 Principles-based annual reporting framework	13
2.2 Agencies who prepare annual reports.....	14
2.3 Guiding Principles to achieve ‘excellence’ in annual reporting	16
2.4 Content elements of an annual report.....	17
2.5 A Note on TCFD reporting	22
2.6 Current prescribed annual reporting requirements	23
2.7 Combined annual reports.....	24
2.8 Preparation, tabling and distribution of the annual report.....	24
2.9 Proposed transitional arrangements.....	26
What is next.....	27
3. Next steps.....	28
3.1 Key milestones and timeframes	28
3.2 Submitting your feedback.....	28
References	29
Annexures.....	31
Annexure 1: Current annual reporting obligations.....	32
Annexure 2: Examples of guiding principles.....	36
Annexure 3: Examples of content/section outlines	38

Abbreviations and terms

Acronym	Definition
AASB	Australian Accounting Standards Board
ARA	Australasian Reporting Awards
ARD Act	<i>Annual Reports (Departments) Act 1985 (NSW)</i>
ARSB Act	<i>Annual Reports (Statutory Bodies) Act 1984 (NSW)</i>
ASX	Australian Securities Exchange
AUASB	Auditing and Assurance Standards Board
CIPFA	Chartered Institute of Public Finance and Accountancy
CSR report	Corporate Social Responsibility report
DPE	Department of Planning and Environment (NSW)
EER	Extended External Reporting
FRC	Financial Reporting Council
GRI	Global Reporting Initiative
GSF Act	<i>Government Sector Finance Act 2018 (NSW)</i>
GSF Regulation	<i>Government Sector Finance Regulation 2018</i>
HTML	HyperText Markup Language
IFRS	International Financial Reporting Standards
IPART Act	<i>Independent Pricing and Regulatory Tribunal Act 1992 (NSW)</i>
<IR>	Integrated Reporting
IIRC	International Integrated Reporting Council
ISSB	International Sustainability Standards Board
PDF	Portable Document Format
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013 (Cth)</i>
PGPA Rule	<i>Public Governance, Performance and Accountability Rule 2014 (Cth)</i>
PPIPA	<i>Privacy and Personal Information Protection Act 1998 (NSW)</i>
SOCs	State Owned Corporations
TCFD	Taskforce for Climate-related Financial Disclosures
TPP	Treasury Policy Paper
UK	The United Kingdom
WHS	Work, Health & Safety

Term	Definition
Accountable authority	'Accountable authority' as defined in the GSF Act section 1.4
Annual Reporting Acts	<i>Annual Reports (Departments) Act 1985 (NSW)</i> and <i>Annual Reports (Statutory Bodies) Act 1984 (NSW)</i>
Annual Reporting Regulations	<i>Annual Reports (Departments) Regulation 2015</i> and <i>Annual Reports (Statutory Bodies) Regulation 2015</i>
Annual reporting period	'Annual reporting period' as defined in the GSF Act section 2.10
HM Treasury	Her Majesty's Treasury (United Kingdom)
GSF Agencies	'GSF Agencies' as defined in the GSF Act section 2.4
Parliament	Parliament of New South Wales
Reporting GSF agency	'Reporting GSF agency' as defined in the GSF Act section 7.3

Executive Overview

The Purpose

Annual reports are an important way in which agencies¹ remain accountable to Parliament and the community for the way in which public monies have been applied during a reporting period.

Following introduction of the *Government Sector Finance Act 2018* (NSW) (GSF Act), there is an opportunity to review and reform the annual reporting requirements for agencies to ensure that they:

- meet the current and future needs of the users of annual reports;
- are aligned with the principles-based framework of the GSF Act; and
- reflect best practice in annual reporting.

This discussion paper has been prepared to seek feedback from key stakeholders about annual reporting requirements from the 2022-23 reporting period onwards. The paper sets out the context for reform, the research and consultations undertaken to date and a proposed framework for annual reporting based on this research and consultation. We are inviting feedback on this discussion paper from the general public, agencies, universities and State Owned Corporations, together with a range of other expert stakeholders.

The Opportunity

Annual reporting requirements for agencies are currently prescribed under the *Annual Reports (Departments) Act 1985* (NSW) and *Annual Reports (Statutory Bodies) Act 1984* (NSW) (Annual Reporting Acts) and their associated regulations.

As part of the staged implementation of the GSF Act, annual reporting requirements in the GSF Act will replace those in the current Annual Reporting Acts from 1 July 2023. This means that, from the financial year 2022-23 onwards, agencies will prepare annual reports under the GSF Act. The Annual Reporting Acts will, in turn, be repealed. Transitioning from the Annual Reporting Acts to the GSF Act provides an opportunity to review and reform the format and content of agency annual reports.

The Proposal: a principles-based approach

Best practice annual reporting methods identified by research and expert views gathered during the initial consultation were carefully considered alongside the GSF Act annual reporting requirements to inform the proposed principles-based annual reporting framework.

The proposed approach is outlined in Part 2 of this paper. It consists of:

- Five principles to support excellence in annual reporting.
- Eight high-level content headings to ensure a consistent and comprehensive approach to annual reporting

The principles-based approach will:

- provide agencies with the flexibility to adopt new requirements and report based on an assessment of materiality,
- ensure a more comprehensive and consistent accountability across the Performance and Financial Management lifecycle by all agencies including a greater focus on performance reporting, and

¹ In this discussion paper, *agencies* refer to Departments, Statutory Bodies, State Owned Corporations and Universities

- provide flexibility to incorporate new frameworks and standards over time, especially on evolving areas like climate risk reporting.

The Consultation Process:

This discussion paper has two main parts.

- Part 1 provides the context of agency annual reports, the process being taken to build the GSF Act annual reporting framework, an overview of research findings and expert views from prior targeted consultation.
- Part 2 sets out the proposed principles-based annual reporting framework, the basis for the proposals and asks specific questions about the proposals. A summary of discussion questions is outlined below.

We request your feedback and input to the discussion questions in this paper via written submissions by **Sunday 17 July 2022** to:

- Email: legislation@treasury.nsw.gov.au
- Post: Legislation & Policy Team, NSW Treasury, GPO Box 5469, Sydney, NSW 2001

Next steps

Once feedback is received, it will be analysed and incorporated to finalise the framework. The finalised model is expected to be published and shared with preparing agencies in September 2022. This date will help ensure agencies have sufficient lead time to familiarise themselves with the new annual reporting framework and collect required information and data.

Based on the finalised model, NSW Treasury will develop the required regulations, Treasurer's directions, policies and guidelines. Subject to the Treasurer's and Executive Council's approval, the regulations and Treasurer's directions will be scheduled to commence at the same time as the GSF Act annual reporting provisions on 1 July 2023.

Summary of discussion questions

Proposed guiding principles

Five principles are proposed to be prescribed in the annual reporting framework to achieve excellence in annual reporting. They are 'Supports accountability', 'Comprehensive', 'Clear', 'Accessible' and 'Consistent'.

1. Will the prescription of principles support excellence in annual reporting? If not, what other approaches would be effective?
2. Are there additional principles that should be considered to achieve excellence in annual reporting? If so, what are they?

Proposed content headings and potential content elements of an annual report

Eight high-level content headings are proposed to structure the information in agency annual reports. They are 'Overview', 'Strategy', 'Risk', 'Governance', 'Operations', 'Performance', 'Sustainability' and 'Financial Performance'.

3. Do you have any comments on the proposal to prescribe content headings to structure agency annual reporting?
4. Will the proposed framework meet the needs of users? If not, what changes should be made to better meet the needs of users?

Current prescribed annual reporting requirements

Until the financial year ending 30 June 2022, detailed annual reporting requirements are prescribed in the Annual Reporting Acts, the associated Regulations, Treasurer's Directions and policies. The *Annual Reporting Compliance Checklist* includes all these requirements as a guidance document.

5. Do you have any comments on the current annual reporting requirements? What are your comments on how to improve them?
6. Are there any requirements that would be better presented in another format (e.g. on an agency website) instead of the annual report? What are those requirements and why do you think they would be better published elsewhere?

Combined annual reports

Under section 7.10(5) of the GSF Act, two or more Reporting GSF Agencies can combine annual reporting information if the regulations or other legislation or the treasurer's directions permits. These regulations and Treasurer's Directions are yet to be developed.

7. Are there agencies who you think should be combining annual reports? Why?
8. What potential benefits, in terms of accountability, would there be from combining annual reports? What potential losses, in terms of transparency, might there be?

Cost of the annual report

Agencies should prepare annual reports with the least possible cost. There are suggested ways to keep the production cost of the annual report to a minimum by aligning with the NSW Premier's Memorandum M2013-09 (*Production Costs of Annual Reports*).

9. Are there any other ways to keep the production cost of the annual report to a minimum? What are they?

Summary of discussion questions (cont.)

Proposed transitional arrangements

Robust transitional arrangements will facilitate adoption of the new requirements (unless already prescribed by legislation or policy), especially when the agencies prepare their first annual report for the financial 2022-23 under the GSF Act.

A flexible approach is proposed for agencies to adopt new requirements while addressing their specific needs.

10. What considerations should be made to ensure a smooth transition to the new reporting framework?

11. Is there anything else you would like to raise regarding agency annual reports and this reform?

1

Starting a
conversation...

1. Introduction

1.1 About agency annual reports

Purpose and users of agency annual reports

An agency's annual report provides an important means by which the agency 'tells its story' to Parliament and the public. Annual reports provide a mechanism to report agency information and performance to ensure public accountability and transparency. However, as indicated by our stakeholders in preliminary consultation, an annual report can have additional purposes for different audiences [see figure 1].

Purpose of agency annual reports	Users of agency annual reports
<ul style="list-style-type: none">• providing transparency about an entity's operations and financial activities• ensuring an organisation is accountable to its stakeholders for decision-making, resource use, impact and outcomes• enabling an entity to tell its story about its purpose, value and ethos• providing a snapshot of an organisation at a point in time• contributing to a historical record• driving change by requiring a periodic and public account of implementation of government requirements	<ul style="list-style-type: none">• public• Parliament• researchers• media• staff of the agency• other agencies• users in other jurisdictions• financial institutions• commercial interests

Figure 1: Purpose and users of agency annual reports

1.2 The opportunity

Current annual reporting requirements

Legislative requirements for agencies to produce annual reports are currently prescribed in the *Annual Reports (Departments) Act 1985* (NSW) (ARD Act) and *Annual Reports (Statutory Bodies) Act 1984* (NSW) (ARSB Act) (Annual Reporting Acts).

NSW Treasury has developed the [Annual Reporting Compliance Checklist](#) to assist NSW Public Sector agencies meet their annual reporting obligations. This Checklist collates the requirements in the Annual Reporting Acts, their Regulations, requirements in other legislation, Treasurer's Directions and other government policies [see [Annexure 1](#)].

Commencing the Government Sector Finance Act 2018 annual reporting requirements

The *Government Sector Finance Act 2018* (NSW) (GSF Act) was passed by Parliament in 2018. The Act was designed to strengthen performance, accountability and transparency in the government sector. It adopted a principles-based approach to financial management, rather than having legislation that is inflexible and compliance-orientated.

As part of the staged commencement of the GSF Act, Division 7.3 of the GSF Act - 'Annual reporting information for reporting GSF agencies' - is scheduled to commence on 1 July 2023. From the financial year 2022-23 onwards, agencies will prepare their annual reports in accordance with the GSF Act annual reporting requirements.

Transition from the Annual Reporting Acts to the GSF Act [see Figure 2] represents an **opportunity** to review and reform the format and content of agency annual reports.

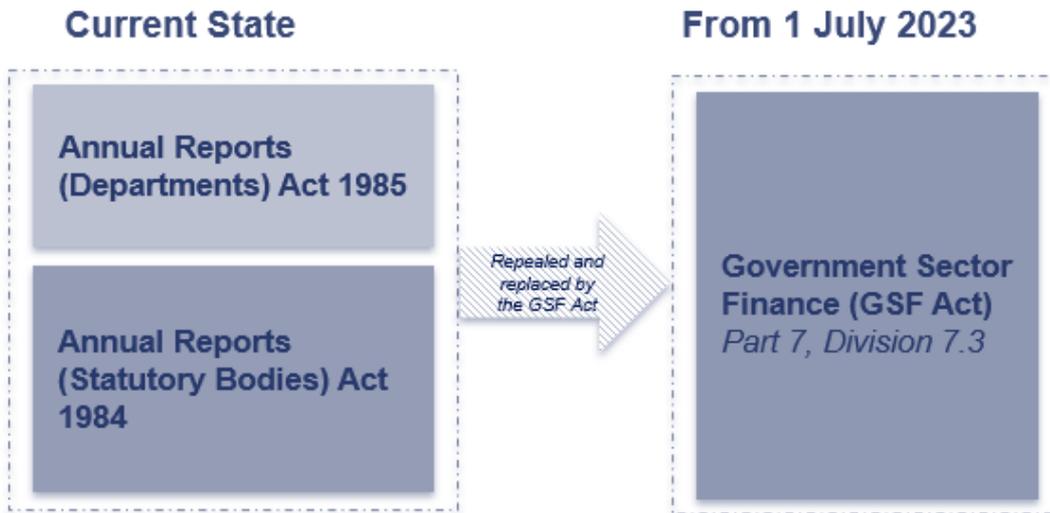


Figure 2: Transitioning annual reporting requirements from the Annual Reporting Acts to the GSF Act

1.3 The process

The framework for annual reporting under the GSF Act from 1 July 2023 is being informed by national and international approaches in a highly consultative process involving all stakeholders including content-owners, as well as preparers and users of annual reports. Figure 3 provides an overview of the stages to outline the framework in September 2022, ahead of commencement of the GSF Act requirements from 1 July 2023.



Figure 3: Reform process and timeline

Robust transitional arrangements will facilitate adoption of the new requirements, especially when the agencies prepare their first annual report for the financial year 2022-23 under the GSF Act. Transitional requirements are discussed in [section 2.9](#) of this paper. A flexible approach is proposed for agencies to adopt new requirements while addressing their specific needs.

1.3.1 Purpose of this discussion paper

This discussion paper has been prepared to seek feedback from key stakeholders about annual reporting requirements from the 2022-23 reporting period onwards. We are inviting feedback on this discussion paper from the general public, agencies, universities and State Owned Corporations, together with a range of other expert stakeholders. The feedback will be incorporated into the final model which will comprise the annual reporting framework under the GSF Act.

1.4 Research and findings

During the preliminary phase of the project, NSW Treasury undertook research to identify national and international best practice and emerging concerns in annual reporting. Key findings are summarised below.

1.4.1 Public Sector annual reporting in Australian and International Jurisdictions:

(a) Australian Jurisdictions

Jurisdictions across Australia are consistent in articulating an annual reporting purpose focused on ensuring accountability and transparency of government operations.

Preparing an annual report is a legislative requirement in all Australian jurisdictions. All jurisdictions provide a range of guidance and additional information to supplement and support the legislative requirements for annual reporting by government agencies. In addition, certain jurisdictions, including the Commonwealth, South Australia, Victoria, and Western Australia, have templates or model reports to support agencies prepare annual reports. In addition to the financial statements, non-financial information such as operations, governance and performance can be commonly seen in annual reports across the jurisdictions.

Case Study: The Transparency Portal and Digital Annual Reporting Tool (Commonwealth)

The *Public Governance, Performance and Accountability Act 2013* (Commonwealth) (PGPA Act) and the *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) outline the main content requirements for annual reports of Commonwealth entities and companies. As required by the PGPA Rule, the annual report must be relevant, reliable, concise, understandable and balanced.

Since 2018-19, all Commonwealth entities and companies have been required to publish their annual report on the *Transparency Portal* after tabling in Parliament. The *Transparency Portal* is the new central website of publicly available corporate information for all Commonwealth bodies. It allows for easy access to annual reports and enables selected data to be compared and analysed.

In addition, a *Digital Annual Reporting Tool* facilitates the development and publication of annual reports to the *Transparency Portal*. Annual reporting coordinators from Commonwealth bodies can access the *Digital Annual Reporting Tool* from the Department of Finance. There are a range financial and non-financial data templates within the *Digital Annual Reporting Tool* that contain all of the mandatory requirements.

Case Study: An annual reporting template (South Australia)

The *Public Sector Act 2009* (South Australia) requires all South Australian Government agencies and entities in the General Government Sector to prepare annual reports on their operations and performance. The Premier and Cabinet Circular 013 (issued as directions of the Premier under the *Public Sector Act 2009*), sets out the requirements to prepare and publish annual reports. There are eight principles (transparent and accountable, concise, open, performance-based, factual, citizen-centric, accessible and digital) defined in the Circular to guide annual reports.

An Annual Report Template is mandated for use requiring the presentation of information under seven main sections (Overview, Agency's performance, Financial Performance, Risk management, Reporting required under any other Act or Regulation, Public complaints, Audited financial statements). The template enables a structured and consistent look among the annual reports, providing citizens a more strategic overview of the organisation. The Circular and template are reviewed and updated annually as required.

(b) International Jurisdictions

International jurisdictions also use annual reports to disclose accountability, transparency and create public trust and confidence in the work of the public sector entities and show alignment with Government priorities. In addition to reporting an entity's financial and non-financial operational performance, the last few decades have seen the emergence of environmental, sustainability and integrated reporting.

Case Study: Performance reporting in annual reports (New Zealand)

Under the *Public Finance Act 1989* (New Zealand), departments and departmental agencies are required to report on progress against their strategic intentions and performance in annual reports. There have been various reforms and initiatives to improve performance reporting over the past three decades, including introduction of frameworks such as the *Performance improvement framework* and *Living standards framework*.

The New Zealand Auditor-General currently has a standard on auditing performance reports (Auditor-General's auditing standard 4: The audit of performance reports). The standard refers to four qualitative attributes of performance information – relevant, reliable, understandable, and comparable.

As stated by the New Zealand Auditor-General in October 2021,

“The first step in preparing a meaningful story about public sector performance is to understand what people want to know about public organisations, their services, and their contribution to New Zealanders’ well-being. The next step is being able to clearly describe (and ideally measure) the difference that each public organisation is seeking to achieve in terms of improved outcomes for the communities it serves.”

Case Study: Good Practice in Annual Reports (United Kingdom)

HM Treasury issues the *Government Financial Reporting Manual* annually which sets out core guidance for preparing government annual reports and accounts in the United Kingdom. Government annual reports and accounts are prepared within a principles-based framework and comprise a performance report, accountability report and financial statements.

The UK National Audit Office published a guide about ‘*Good practice in annual reporting*’ in January 2022 based on 2020-21 annual reports. It identified the following good practice principles:

Supporting Accountability	Transparency	Accessibility	Understandable
<ul style="list-style-type: none"> telling the story of the organisation in a fair and balanced way; compliance with the relevant reporting requirements; and clear action points to take forward. 	<ul style="list-style-type: none"> frank and honest analysis; consideration of the challenges an organisation is facing; appropriate use of data; and quantification of risks and performance measures. 	<ul style="list-style-type: none"> highlights key trends in the financial statements; concise summaries of key points; and consideration of how the organisation engages with key stakeholders and meets their needs. 	<ul style="list-style-type: none"> Use of: <ul style="list-style-type: none"> plain English to explain difficult concepts; infographics and diagrams to communicate important messages; and clearly integrated structure to help users navigate it effectively.

The Guide highlighted seven sections of an annual report (Strategy, Risks, Operations, Governance, Measure of success, Financial performance and External factors) to tell the “story” of the organisation.

1.4.2 Australian listed companies

The annual report is a primary document through which companies communicate details of their activities, financial results and strategies to shareholders and other stakeholders. Information found in the annual report includes material required by the *Corporations Act 2001* and *Australian Securities Exchange (ASX) Listing Rules*. In addition to financial information, it is commonly seen that many listed companies are also reporting non-financial information under emerging areas such as environmental, corporate social responsibility (“CSR report”), integrated and sustainability reporting (CPA Australia, 2019). In 2020, a KPMG study reported that a significant proportion of Australia’s largest listed companies (over 70 per cent of ASX200 companies and over 90 per cent of ASX50 companies) have now adopted integrated reporting principles when drafting their annual reports. Sixty per cent of organisations reported enhanced climate disclosures in line with the Taskforce for Climate-related Financial Disclosures (TCFD).

1.4.3 International frameworks and evolving reporting areas

During the research phase, it was clear to see development of different accountability reporting frameworks and areas in response to stakeholder calls for more transparency and openness.

Table 1 below describes more details about a number of evolving reporting frameworks and reporting areas. Each of these items share an intention to go beyond traditional financial reporting to provide a fuller and more complete overview of financial and non-financial information for stakeholders. An increasing number of organisations are adopting these frameworks and incorporating emerging areas of interest in their annual reports.

Table 1: Examples of reporting frameworks and evolving reporting areas

Integrated reporting

- “An integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value in the short, medium and long term” (International Integrated Reporting Council (IIRC), 2021)
- The Integrated Reporting (<IR>) Framework by the IIRC provides principles-based guidance for companies and other organizations to prepare an integrated report.
- <IR> Framework consists of Guiding Principles and Content Elements that govern the overall content of an integrated report.
 - The seven guiding principles are; strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness, and consistency and comparability.
 - There are eight Content Elements; Organizational overview and external environment, Governance, Business Model, Risks and opportunities, Strategy and resource allocation, Performance, Outlook, and Basis of preparation and presentation.
- Over 2,500 users in more than 75 countries use the <IR> Framework (Osborn, 2021).
- The emphasis on the creation of value in integrated reporting has many benefits for public sector organisations. It gives a longer-term perspective which will be beneficial in decision making with more accountability (Chartered Institute of Management Accountants, 2016)
- Studies also show that <IR> has gained momentum within the public sector in recent years (Biondi & Bracci, 2018).
- Few examples of integrated reports are; [New Zealand Post Group’s 2021 Integrated Report](#), the [UK Crown Estate’s 2020/21 Integrated Annual Report & Accounts](#), [CPA Australia’s Integrated Report 2020](#) and, [Maritime and Port Authority of Singapore’s Integrated Report 2020](#). Some

entities have been successfully reporting using the <IR> Framework for a number of years.

Sustainability reporting

- As stated by the Global Reporting Initiative (GRI) Sustainability Reporting Standard 101, sustainability reporting is an organisation's practice of reporting publicly on its economic, environmental, and/or social impacts, and hence its contributions – positive or negative – towards the goal of sustainable development.
- Research conducted by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2021 stated that sustainability reporting in the public sector is at the early stages.
- Although there are no specific standards to address the public sector yet, there are multiple standards and frameworks related to sustainability reporting at the international level. These include standards issued by the Global Reporting Initiative, Sustainability Accounting Standards Board (SASB), and International Organization for Standardisation (ISO).
- In the UK, HM Treasury publishes annual Sustainability Reporting Guidance. All central government bodies that fall within the scope of the Greening Government Commitments report on sustainability in their annual reports and accounts.
- In Victoria, under the *Financial Reporting Directions (FRD) 24D*, a department's Annual Report of Operations must disclose information relevant to understanding and reducing its office-based environmental impacts on energy use, waste production, paper use, water consumption, sustainable procurement etc.
- There are also instances using 'wellbeing' as a framework for sustainability reporting. These encourage a broader assessment of matters that affect the current and future wellbeing of people. The New Zealand Treasury's *Living Standards Framework* is a key analytical and policy framework they use when preparing their Wellbeing Budget.

Climate related disclosures

- It is becoming increasingly important around the globe, not only for private sector organisations but also for governments, to appropriately and adequately measure and disclose climate related financial risks.
- The development of standards and best practices in this area are rapidly evolving, most notably the formation of the International Sustainability Standards Board (ISSB) (IFRS, 2021). The ISSB issued two draft standards: *General sustainability disclosure requirements* standard and *Climate-related Disclosures* standard for public consultation (IFRS, 2022). The consultation period is closing on 29 July 2022.

- With these international developments, in November 2021, the Australian Accounting Standards Board (AASB), Financial Reporting Council (FRC) and Auditing and Assurance Standards Board (AUASB) stated that they are acknowledging and taking active steps to ensure Australia adopts a reporting regime that meets the needs of users of financial and non-financial reporting information (AASB, 2021).
- In a '[Draft] Position Statement on Extended External (EER) Reporting' AASB supports the voluntary adoption of the recommendations made by the Taskforce on Climate Financial Disclosures (TCFD). AASB issued [ITC48](#) for comments which were due by 28 Jan 2022.

It is noted that there are a number of organisations who promote and support best practice in annual reporting.

- **Awards and recognition:** Established in 1950, the *Australasian Reporting Awards* recognises high quality annual reports every year against criteria which are based on world's best practice. It is open to all private sector, public sector and not-for-profit organisations in Australia, New Zealand and countries in the Asia-Pacific region and beyond. The Awards are administered by Australasian Reporting Awards Limited (ARA), an independent not-for-profit organisation run by volunteer professionals from the business, government and not-for-profit sectors.
- **Educate and upskill:** There are also well-known institutes and universities which provide learning courses and conduct seminars to upskill and keep the workforce up to date on emerging reporting models like Integrated Reporting. Chartered Accountants Australia and New Zealand, CPA Australia, Deakin University and University of New South Wales and Macquarie University are some of them.

1.5 Targeted consultation and expert views

A series of discussions with sector and governance experts were conducted during the period September – December 2021. Those experts included representatives from the NSW Department of Premier and Cabinet, NSW Audit Office, NSW Information Commissioner, Institute of Internal Auditors (NSW) and NSW Treasury. Representatives from other Australian jurisdictions were also consulted.

There was a general consensus to simplify and streamline annual reports. In addition, the following key callouts were noted to explore further and consult wider with this discussion paper:

- align content of an annual report to the needs of its users;
- ensure a more comprehensive and consistent accountability across the Performance and Financial Management lifecycle by all agencies including a greater focus on performance reporting;
- provide a flexible approach for agencies to adopt new requirements while addressing their specific needs; and
- consider a principles-based approach to allow for easy adoption of emerging areas for accountability such as climate risk reporting.

1.6 Summary of key findings from the research and consultation

A clear case for change

Based on the research and consultations to date, there is a clear call to:

1. ensure that annual reports provide accountability and transparency for performance in terms of outcomes being delivered to the people of NSW by agencies and in terms of value to stakeholders by SOCs and Universities;
2. ensure that the information being reported in annual reports is aligned with the expectations of stakeholders and easily accessed by those stakeholders;
3. introduce a principles-based annual reporting framework that aligns with the principles-based framework of the GSF Act and allows flexibility for agencies to be able to report based on maturity and materiality;
4. respond to expectations to enhance accountability in a range of key areas including, but not limited to, sustainability and climate related disclosures;
5. ensure that annual report content is aligned with a “customer-centric, digitally-enabled government”;
6. reduce the costs associated with producing annual reports; and
7. ensure robust transition arrangements.

2

Looking for your
feedback...

2. Proposed way forward

2.1 Principles-based annual reporting framework

Best practice annual reporting methods and expert views gathered during the initial stages of this project were carefully considered alongside the GSF Act annual reporting requirements to propose a principles-based annual reporting framework consistent with the objectives of the GSF Act.

Ranging in size, geographic footprint and type of service delivery, there are well over 100 agencies in New South Wales that make up the Government sector. A principles-based annual reporting framework would;

- enable a flexible approach for agencies to adopt new requirements and report based on an assessment of materiality,
- ensure a more comprehensive and consistent accountability across the Performance and Financial Management lifecycle by all agencies including a greater focus on performance reporting,
- empower agencies to improve reporting by identifying their key accountabilities,
- provide flexibility to incorporate new frameworks and standards, especially on evolving areas like climate risks reporting.

It should be noted that a principles-based approach does not mean the removal of all prescribed requirements. Some content will continue to be prescribed in some detail to reflect other legislative requirements, applicable standards and stakeholder expectations. The extent of prescription will, however, be reviewed in consultation with content-owners as part of this reform program.

Annual reporting information requirements under the GSF Act

One of the key benefits of the GSF Act is moving away from a highly prescriptive, inflexible and compliance orientated framework to a principles-based legislative framework for financial management and reporting. The Act focuses less on defining set requirements and more on ensuring that agencies are empowered to improve their financial management and reporting by identifying key accountabilities.

As shown in the Figure 4 below, section 7.11 of the GSF Act outlines what information is to be included in an annual report. Regulations and Treasurer's directions will be developed to prescribe ongoing and new annual reporting requirements, as appropriate.

GSF Act Division 7.3, Section 7.11, 'Annual reporting information for reporting GSF agencies'

- annual GSF financial statements,
- the audit report concerning the annual GSF financial statements,
- information concerning the performance of the GSF agency of a kind prescribed by the regulations or specified by the Treasurer's directions,
- information that is required or permitted to be included in the annual reporting information for the GSF agency by other legislation,
- any other information of a kind prescribed by the regulations or specified by the Treasurer's directions

Figure 4: Annual reporting information requirements under the GSF Act

2.2 Agencies who prepare annual reports

Agencies as defined by the legislation prepare annual reports. The definition under the Annual Reporting Acts and future status under the GSF Act are explained below.

2.2.1 Current status under the Annual Reporting Acts

'Department' and 'Statutory Body' are defined in the ARD Act and ARSB Act. Those Departments and Statutory Bodies are listed in Schedule 2, Part 1 and Part 2 of the *Government Section Finance Regulation 2018* (NSW) (GSF Regulation), and are required to prepare annual reports. The State Owned Corporations and Universities also prepare annual reports under the ARSB Act.

ARD Act and ARSBA Act are scheduled to be repealed on 1 July 2023 when the annual reporting provisions under the GSF Act commence.

2.2.2 Future status under the GSF Act

Agencies who prepare annual reports

After the GSF Act annual reporting provisions commence on 1 July 2023, reporting GSF agencies and universities (including their controlled entities) will prepare annual reports [see Figure 5]. As defined in section 7.3 of the GSF Act, a reporting GSF agency is any GSF agency but does not include excluded agencies prescribed by the regulations [see Figure 6].

According to section 7.10.4(d) of the GSF Act, any other agency other than a reporting GSF agency can also prepare an annual report if required or permitted by other legislation.

GSF Act section 7.10, GSF Act Annual reporting provisions apply to:

- Reporting GSF Agencies, and
- Universities and their controlled entities

Figure 5: Agencies who prepare annual reports under the GSF Act

Exemptions

Four 'kinds' of agencies specified in Division 2 of the GSF Regulation are exempt from the GSF Act reporting provisions [see Figure 6] and from annual reporting. There are prescribed criteria under each 'kind of exemptions' against which agencies undertake a self-assessment to determine if they are excluded from reporting.

NSW Treasury is currently undertaking a separate review of the 'kind of exemptions' prescribed in the GSF Regulation. Any amendments to the categories arising from the review will be incorporated into the GSF Regulation ahead of 1 July 2023.

GSF Act Section 2.4, GSF agencies:

- a separate GSF agency,
- a NSW Health entity,
- the NSW Police Force,
- the New South Wales Treasury Corporation,
- the Law Enforcement Conduct Commission,
- the Independent Pricing and Regulatory Tribunal,
- a Council within the meaning of Part 5A of the Health Practitioner Regulation National Law (NSW),
- a State owned corporation,
- an entity that is a statutory body representing the Crown (including an entity that is a NSW Government agency to which section 13A of the *Interpretation Act 1987* applies),
- an entity with money held in an SDA account (but the account itself is not to be treated as being a GSF agency),
- any Public Service agency not already covered by a previous paragraph,
- any other entity (or entity of a kind) prescribed by the regulations as a GSF agency

Also refer to section 2.4(2)-(5) for the complete definition of the GSF agencies

GSF Regulation Division 2: Excluded GSF Agencies from reporting

- Small agencies
- Certain Crown Land Managers
- Special purpose staff agencies
- Entities established with the sole purpose of holding certain retained State interests

Figure 6: GSF agencies and excluded GSF agencies from reporting

Annual Reporting Period

A reporting GSF agency should prepare an annual report for the annual reporting period. Annual reporting periods are defined in section 2.10 of the GSF Act [see Figure 7].

GSF Act section 2.10, Annual reporting period for the GSF agencies:

Subject to any determination of the Treasurer under this section, the *annual reporting period* for a GSF agency is —

- the period of 12 months commencing on 1 July in any year, or
- if a different period is specified as the agency's financial year by its constituent Act — that specified period

Figure 7: Annual reporting period for the GSF agencies

2.3 Guiding Principles to achieve 'excellence' in annual reporting

Five guiding principles are proposed to achieve excellence in annual reporting [see Figure 8]. Figure 9 summarises what excellence looks like in reporting.

- Excellence supports accountability for decision making, resource use, performance, sustainability and governance.
- Excellence is comprehensive, but clear and accessible.
- Excellence reflects substantially consistent content elements for year-on-year comparison.

These principles reflect the research conducted with reference to best practice annual reporting in national and international jurisdictions, including frameworks such as GRI and Integrated Reporting. Those principles used by certain other frameworks are summarised in [Annexure 2](#).

The proposed principles provide agencies with a checklist to ensure that the information provided in annual reports meets the needs of stakeholders over time.

Supports Accountability: - demonstrating accountability in the content of annual reports for decision making, resource use, performance, sustainability and governance.

Comprehensive: - presenting a comprehensive account of an agency's projects, programs and operations during the reporting period with reference to resource allocation, program and project delivery, and realization of outcomes. The related information should be linked together by cross referencing (e.g., linkages between information and accounts) and duplication should be avoided. When taken as a whole, the information in the report is material, balanced and complete.

Clear: - ensuring that the content of the report is easily understood by thoughtfully organising the content and by using clear design, tables, graphs, diagrams, charts and plain English. Adding both narrative and numbers allows readers to see the complete story outlined in the report.

Proposed annual reporting guiding principles:

1. Supports Accountability
2. Comprehensive
3. Clear
4. Accessible
5. Consistent

Figure 8: Proposed annual reporting guiding principles the GSF agencies

Accessible: - ensuring annual reports are publicly available and easily accessible for all stakeholders and citizens. As an example, publishing the reports both in PDF and HTML formats can provide better accessibility and allow users an option to access the report across different devices. Agencies are to refer to *Accessibility and Inclusivity* by Digital NSW to provide a better accessible experience to all users.

Consistent: - providing consistent information allows information to be identified easily and compared on a year-on-year basis.



Figure 9: Excellence in reporting

Discussion Questions:

1. Will the prescription of principles support excellence in annual reporting? If not, what other approaches would be effective?
2. Are there additional principles that should be considered to achieve excellence in annual reporting? If so, what are they?

2.4 Content elements of an annual report

Eight high level headings are proposed to structure the annual report [see Figure 10]. The proposed headings have been informed by the Integrated Reporting Framework and other best practice annual reporting from national and international jurisdictions [see examples in *Annexure 3*]. However, the headings also take into account current NSW Public Sector practice.

The purpose of defining high-level content headings is to:

- report the 'full story' about the agency,
- organise information and structure the annual report, and
- achieve consistency among different agency annual reports.

The content headings are linked to each other, and they ensure a logical sequence of information in the report.

Proposed content headings of an annual report:

1. *Overview*
2. *Strategy*
3. *Risk*
4. *Governance*
5. *Operations*
6. *Performance*
7. *Sustainability*
8. *Financial Performance*

Figure 10: Proposed content headings of an annual report

Content under each heading will depend on the individual circumstances of the agency. Five guiding principles defined in [section 2.3](#) of this paper can be applied when determining what information is reported and how it is reported. Some elements of information may fit into more than one heading. The agency can cross reference them within the report as appropriate. Further information about each heading is explained below [see Table 2].

Table 2: Proposed content headings and potential content elements

Note: The following provides proposed content headings and a description of potential content for each. In addition to matters already prescribed under legislation, the agency could decide other content that will reflect the agency’s specific circumstances in consideration of materiality.

<p>Overview</p> <p>The purpose of this section is to provide an overview about the agency.</p>	<p><u>Examples of matters that could be included in this section are;</u></p> <ul style="list-style-type: none"> • agency’s purpose, vision and values • other related agencies • controlled entities and subsidiaries • any significant changes to the agency occurred during the reporting year
<p>Strategy</p> <p>The purpose of this section is to outline the agency’s objectives/outcomes, together with strategies to achieve those objectives/outcomes.</p>	<p><u>Examples of matters that could be included in this section are;</u></p> <ul style="list-style-type: none"> • strategic objectives/outcomes, • current and future strategic plans to accomplish outcomes and objectives • how resources are or will be allocated to implement the strategic plans, • the systems and processes to measure the target outcomes.
<p>Risk</p> <p>The purpose of this section is to describe key risks that could affect the agency’s ability to achieve objectives/outcomes and how the agency is managing them.</p>	<p><u>Examples of matters that could be included in this section are;</u></p> <ul style="list-style-type: none"> • key internal and external risks that affect the agency’s ability to achieve objectives or outcomes during the reporting year • details of an agency’s risk management framework • insurance arrangements and activities affecting the agency • how the agency implements and monitors the risk management plan • after the reporting year, if there any other events/factors identified that have a significant effect in the following year <p>Further information about risk management can be found in policies including the NSW Treasury’s <i>Internal Audit and Risk Management Policy for the General Government Sector</i> (TPP 20-08), <i>Risk management toolkit</i>, and the <i>NSW Government Climate Risk Ready Guide</i>.</p>

Table 2: Proposed content headings and potential content elements

Note: The following provides proposed content headings and a description of potential content for each. In addition to matters already prescribed under legislation, the agency could decide other content that will reflect the agency's specific circumstances in consideration of materiality.

<p>Governance</p> <p>The purpose of this section is to describe the agency's governance structure.</p>	<p><u>Examples of matters that could be included in this section are;</u></p> <p>Leadership and organisational structure</p> <ul style="list-style-type: none"> • agency's leadership structure with skills and diversity • organisational chart indicating functional responsibilities <p>Legislation</p> <ul style="list-style-type: none"> • legislation administered by the agency • legislative activities which impact the agency. e.g. • Changes in Acts and subordinate legislation • Significant judicial decisions affecting agency or users of its services <p>Compliance and Assurance arrangements</p> <ul style="list-style-type: none"> • Reporting against the agency's compliance framework • an overview of the agency's assurance arrangements • compliance with the <i>NSW Treasury's Internal Audit and Risk Management Policy</i> for the General Government Sector (TPP 20-08)
<p>Operations</p> <p>The purpose of this section is to provide a summary of agency's operations. Operations are how the agency is transforming its inputs through activities into outputs to achieve the defined outcomes.</p>	<p><u>Examples of matters that could be included in this section are;</u></p> <p>Examples: Inputs:</p> <ul style="list-style-type: none"> • Human resources • Senior executives and remuneration • Consultants <p>Examples: Activities:</p> <ul style="list-style-type: none"> • Programs • Service delivery models • Grants • Use of 'machine technology' (e.g., artificial intelligence, automated decision-making, machine learning techniques etc.) • Research and Development activities • How the agency approaches innovation <p>Examples: Outputs</p> <ul style="list-style-type: none"> • Agency's key products and services

Table 2: Proposed content headings and potential content elements

Note: The following provides proposed content headings and a description of potential content for each. In addition to matters already prescribed under legislation, the agency could decide other content that will reflect the agency's specific circumstances in consideration of materiality.

Performance

The purpose of this section is to report how the agency has performed with regard to its targeted outcomes/objectives outlined in the strategy previous year.

How performance could be reported in this section:

- Agencies could report performance information during the reporting period based on one of the following methods.
 - **Method 1:** Agencies could report performance information with a connection to their Cluster Outcomes & Business Plans. An agency could have its own objectives/outcomes to support its Cluster Outcomes. Agencies could report how they have performed against their objectives/outcomes. Agencies could use outcomes indicators that measure progress in achieving objectives/outcomes.
 - **Method 2:** Agencies could include performance information to report to what extent the agency has achieved its strategic objectives/Business plan for the period. Agencies could report how they have performed against their key performance indicators included in the Statement of Business Intent and Business Plan.

Further principles to follow when reporting performance:

- The agency can report;
 - Comparative data for previous years (where available),
 - This year's actual performance against the target set in the prior year.
 - Forecast for the following year. The forecast should align with the agency's objectives/outcomes outlined in the "Strategy" section above.
- When the agency is reporting its performance information in the annual report, consideration should be given to;
 - the outcomes agency is trying to achieve,
 - outcomes indicators,
 - programs that support to deliver agency's outcomes,
 - program performance measures to assess efficiency, effectiveness and equity in delivering agency's outcomes,
 - available performance data.
- Graphical representation and visual aids could be used where appropriate (e.g., Red/Amber/Green rating may add clarity when reporting against indicators)

Table 2: Proposed content headings and potential content elements

Note: The following provides proposed content headings and a description of potential content for each. In addition to matters already prescribed under legislation, the agency could decide other content that will reflect the agency's specific circumstances in consideration of materiality.

Sustainability

The Purpose of this section is to provide information on how achieving agency's objectives/outcomes impact economic, social and environmental sustainability matters.

Economic, social and environmental sustainability

- Agencies could describe how their strategic objectives/outcomes and policies impact economic, social and environmental sustainability.

Examples of sustainability reporting in economic matters:

- Key policy reforms/decisions made and/or implemented during the reporting period that have an impact on the economic sustainability of the State with information about how the impact is measured/evaluated.

Examples of sustainability reporting in social matters:

- Workforce diversity
- Work, Health & Safety (WHS)
- Sustainable procurement
- Modern Slavery
- Indigenous engagement

Examples of sustainability reporting in environmental matters:

- Energy use (use of electricity and transport fuel consumption)
- Greenhouse gas emissions
- Vehicles in fleet (hybrid, electric and other vehicles in agency fleet) and travel details (total Km)
- Paper consumption
- Waste and recycling
- Water consumption
- Sustainable construction
- TCFD reporting

Further principles to consider when reporting on sustainability:

- Agencies should consider what information they have from the current systems to report on the sustainability reporting.
- The required sources should be identified as early as possible to capture information and data for the reporting year.
- Where available, agencies should provide previous years' information and data for comparison (~3 years as data becomes available). There could be a narrative to indicate whether impact on sustainability is improving or worsening.

Table 2: Proposed content headings and potential content elements

Note: The following provides proposed content headings and a description of potential content for each. In addition to matters already prescribed under legislation, the agency could decide other content that will reflect the agency's specific circumstances in consideration of materiality.

- Agencies could also include the targets for the following year and actions they will take to improve their impact on economic, social and environmental sustainability.

Financial Performance

The purpose of this section to report on the agency's financial performance.

Requirements under the GSF Act:

Section 7.11 of the GSF Act requires the agency to include the following in the annual report.

- annual GSF financial statements,
- the audit report concerning the annual GSF financial statements

Discussion Questions:

3. Do you have any comments on the proposal to prescribe content headings to structure agency annual reporting?
4. Will the proposed framework meet the needs of users? If not, what changes should be made to better meet the needs of users?

2.5 A Note on TCFD reporting

In 2015, the global Financial Stability Board created the Taskforce on Climate-related Financial Disclosures (TCFD) to develop recommendations on the types of information that companies should disclose to support stakeholders in appropriately assessing and pricing a specific set of risks and opportunities related to climate change. In 2017, the TCFD released climate-related financial disclosure recommendations around four thematic areas: governance, strategy, risk management, and metrics and targets. According to all stakeholder feedback that the AASB has received to date, the TCFD is the most commonly applied framework for Extended External Reporting (EER) in Australia.

In response to increasing demand for public sector specific guidance on climate-related disclosures, NSW Treasury released 'Guidance on how to reflect the effects of climate-related matters in financial statements' in March 2021. In late 2021, the NSW Government committed to piloting entity-specific TCFD statements for selected government entities, and will also develop and publish a biennial whole of government climate change impacts, risks and adaptation statement. In light of evolving guidance and NSW Government commitments in this area, the Department of Planning and Environment (DPE) and NSW Treasury are currently assessing emerging disclosure guidance and standards (including the ISSB's work on sustainability and climate-related disclosure standards) for applicability to the NSW public sector.

The proposed structure for annual reporting outlined in this discussion paper has flexibility to accommodate new and emerging areas of reporting such as TCFD and ISSB standards (if adopted in Australia). For example, any framework for climate related disclosures could be reported under the

proposed “Sustainability” heading in the annual report.

2.6 Current prescribed annual reporting requirements

Until the financial year ending 30 June 2022, agencies are required to prepare annual reports in accordance with requirements under the *Annual Reports (Departments) Act 1985* and *Annual Reports (Statutory Bodies) Act 1984* (Annual Reporting Acts). Detailed annual reporting requirements are prescribed in the Annual Reporting Acts, their Regulations, Treasurer’s Directions and policies. The [Annual Reporting Compliance Checklist](#) includes all of these requirements as a guidance document (see [Annexure 1](#)).

Requirements from the other legislation

Certain other legislation also requires agencies to report on matters such as;

- Statement of the action taken by the Department/Statutory Body in complying with the requirements of the *Privacy and Personal Information Protection Act 1998* (NSW) (PPIPA) and statistical details of any review conducted by or on behalf of the Department under Part 5 of the PPIPA.
- Implementation of Price Determination according to section 18(4) of the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW) (IPART Act).
- *Government Information (Public Access) Act 2009* (NSW) requirements:
 - Details of reviews, and
 - Total number of access applications.
- Public interest disclosures under the *Public Interest Disclosures Act 1994* (NSW) (section 31) and its regulation (Clause 4).

In addition to the existing requirements under the above legislation, the *Modern Slavery Act 2018* (NSW) also requires the following matters to be addressed when the GSF Act annual reporting provisions commence.

- a statement of the action taken by the agency in relation to any issue raised by the Anti-slavery Commissioner during the financial year then ended concerning the operations of the agency and identified by the Commissioner as being a significant issue,
- a statement of steps taken to ensure that goods and services procured by and for the agency during the financial year then ended were not the product of modern slavery within the meaning of the *Modern Slavery Act 2018* (NSW).

Discussion Questions:

5. Do you have any comments on the current annual reporting requirements? What are your comments on how to improve them?
6. Are there any requirements that would be better presented in another format (e.g. on an agency website) instead of the annual report? What are those requirements and why do you think they would be better published elsewhere?

2.7 Combined annual reports

Two or more reporting GSF agencies can combine annual reporting information if the regulations or other legislation or the treasurer's directions permits (section 7.10(5) of the GSF Act). These regulations and Treasurer's Directions are yet to be developed. One agency's annual reporting information can be included in another agency's (the lead agency) annual report.

Discussion Questions:

7. Are there agencies who you think should be combining annual reports? Why?
8. What potential benefits, in terms of accountability, would there be from combining annual reports? What potential losses, in terms of transparency, might there be?

2.8 Preparation, tabling and distribution of the annual report

According to section 7.12 of the GSF Act, the accountable authority of the agency is to ensure that the annual report is prepared within the period specified by the Treasurer's directions after the end of the annual reporting period for the agency. The Treasurer's directions are yet to be developed. It is proposed for the accountable authority to prepare the annual report within 4 months after the end of the annual reporting period of the agency, consistent with current practice.

Currently under the Annual Reporting Acts, agencies submit the annual reports to the responsible Minister and the Treasurer no later than 4 months after the end of the financial year of the agency.

As required by section 7.13 of the GSF Act, the responsible Minister is to cause the annual report to be tabled in each House of Parliament as soon as practicable (but no later than within 5 months or any other period prescribed by the regulations) after the end of the annual reporting period for the agency. According to section 7.12 of the GSF Act, the accountable authority is to ensure the annual report is made publicly available as soon as practicable (but no later than within 5 months or any other period prescribed by the regulations) after it is tabled.

2.8.1 Digital reporting

It is proposed to require all annual reports to be made publicly available on agency websites in HTML and PDF versions.

HTML format allows greater functionality including enhanced accessibility and greater prominence in search engines. However, financial statements and other datasets might use PDF only or excel formats to ensure user-friendly accessibility.

After analysing various types of annual reports (e.g. public and private sector annual reports) and best practice national and international annual reporting guidelines, the following methods have been identified to improve user experience of navigating the report.

- consistent and informative sections with clear summaries and key points.
- the use of appropriate internal/external links to information throughout the report.
- use of graphics, charts and diagrams with a sufficient narrative to describe complex and detailed information. However, consideration should be given which design choices to use and how they can impact individuals with visual impairments.

- limiting the use of colours and images only to provide more comprehensive and clear understanding of the information.

2.8.2 Cost of the annual report

Agencies should prepare annual reports with the least possible cost. Annual reports are not designed to use as marketing or publicity documents. Agencies are required to keep the production cost of the annual report to a minimum by:

- Carefully considering the content to be included having regard to the best practice principles outlined in [section 2.3](#) of this paper, relevance and materiality
- Printing hard copies (if required) in black and white
- Not including unnecessary pictures and illustrations
- Eliminating external production costs such as copy writing, design and printing

These requirements align with the NSW Premier's Memorandum M2013-09 (Production Costs of Annual Reports).

Discussion Questions:

9. Are there any other ways to keep the production cost of the annual report to a minimum? What are they?

2.8.3 Distributing the annual report

Currently, according to the requirements in the NSW *Premier's Memorandum M2013-09 (Production Costs of Annual Reports)* agencies are required to send electronic copies of annual reports to:

- State Library of New South Wales
- Parliamentary Library of New South Wales
- Western Sydney University Library
- National Library of Australia
- NSW State Archives and Records

According to the NSW Department of Premier and Cabinet Circular C2022-02 (Deposit of New South Wales Government Publications) agencies are also required to formally deposit print and digital publications with;

- State Library of New South Wales
- Parliamentary Library of New South Wales
- Western Sydney University

2.9 Proposed transitional arrangements

Robust transitional arrangements will facilitate adoption of the new requirements, especially when the agencies prepare their first annual report for the 2022-23 reporting period under the GSF Act. A flexible approach is proposed for agencies to adopt new requirements while addressing their specific needs. Certain new requirements (unless already prescribed by legislation or policy) are expected to be adopted gradually. The new annual reporting framework will be assessed after its first reporting year to decide whether any changes or improvements are required.

NSW Treasury will also develop guidance for agencies to support the transition.

Discussion Questions:

10. Do you have any comments on the proposed transitional arrangements? What are they?
11. Is there anything else you would like to raise regarding agency annual reports and this reform?

3

What is next...

3. Next steps

3.1 Key milestones and timeframes

Feedback from this consultation process will be carefully analysed and incorporated to finalise the annual reporting framework under the GSF Act. As outlined in the section 1.3 of this paper, the finalised model is expected to be shared with agencies in September 2022. This will ensure agencies have sufficient lead time to familiarise themselves with the new annual reporting framework and collect required information and data.

Based on the finalised model, NSW Treasury will develop the required regulations, Treasurer's directions, policies and guidelines. Subject to the Treasurer's and Executive Council's approval, the regulations and Treasurer's directions will be scheduled to commence at the same time as the GSF Act annual reporting provisions which is scheduled to commence by proclamation on 1 July 2023.

3.2 Submitting your feedback

You can make written submissions on this discussion paper by **Sunday 17 July 2022** via;

- Email: legislation@treasury.nsw.gov.au
- Post: Legislation & Policy Team, NSW Treasury, GPO Box 5469, Sydney, NSW 2001

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Annexures

Annexure 1: Current annual reporting obligations

NSW Treasury has developed the *Annual Reporting Compliance Checklist* to assist NSW Public Sector agencies meet their annual reporting obligations. This Checklist collates the requirements in the Annual Reporting Acts, their Regulations, requirements in other legislation, Treasurer's Directions and other government policies (see Tables 3 and 4).

Table 3: Annual Reporting Requirements under the Annual Reporting Acts, their Regulations, certain other legislation, Treasurer's Directions and policies

Legislation/policy Instrument	Requirements
Annual Reporting Acts <i>(Annual Reports (Departments) Act 1985 (NSW) and Annual Reports (Statutory Bodies) Act 1984 (NSW))</i>	<ul style="list-style-type: none"> • Agency's and its controlled entities' financial statements and Auditor-General's reports • Response to significant issues raised by Auditor-General • Where an extension of time has been granted, particulars of that extension • For Statutory Bodies: Budget • Report of the operations of the Department in relation to; <ul style="list-style-type: none"> – Charter – Aims and objectives – Access – Management and structure – Summary review of operations – Legal change – Letter of submission to the Minister – such other matters as may be prescribed
Other Acts	<ul style="list-style-type: none"> • Implementation of Price Determination (IPART Act section 18(4)) • Details of the agency's review under section 7(3) of the GIPAA Act during the year • Public Interest Disclosures Act 1994 (NSW) (section 31 and PIDR clause 4) • Statement of the action taken by the Department/Statutory Body in complying with the requirements of the Privacy and Personal Information Protection Act 1998 (PPIPA) and statistical details of any review conducted by or on behalf of the Department under Part 5 of the PPIPA.
Annual Reporting Regulations <i>(Annual Reports (Departments))</i>	<ul style="list-style-type: none"> • Address/telephone/business hours • Funds granted to non- government community organisations

Regulation 2015 (NSW) and Annual Reports (Statutory Bodies) Regulation 2015) (NSW)

- Economic or other factors affecting achievement of operational objectives
- Management and activities
- Research and development
- Human resources
- Consultants
- Workforce Diversity
- Disability Inclusion Action Plans (as per Disability Inclusion Act 2014 and Annual Reporting Regulations)
- Land disposal
- Promotion: Overseas visits by employees and officers with main purposes highlighted
- Consumer Responses (e.g. complaints)
- Payment of Accounts
- Time for Payment of Accounts (any reasons for delays and interests paid)
- Risk management and insurance activities
- Disclosure of Controlled Entities
- Multicultural Policies and Services Program
- Agreements with Multicultural NSW
- Work Health and Safety (WHS)
- Identification of audited financial statements (at start and finish)
- Unaudited financial information to be distinguished by note or otherwise
- Additional matters for inclusion in annual reports
- After balance date events having a significant effect in succeeding year on: financial operations, other operations and clientele/community served
- Total external costs (such as fees for consultants and printing costs) incurred in the production of the report.
- The website at which the report may be accessed (or the Department's website)
- For *Statutory Bodies*: Investment performance and Liability management performance
- Exemptions (if any applicable, details of reporting exemptions)
- Numbers and remuneration of senior executives

Treasurer's Direction

- Requirements arising from employment arrangements (NSW Treasury's TC15-07)

Policy requirements

- Internal audit and risk management policy attestation (TPP20-08)
- Disclosure of Subsidiaries (NSW Department of Premier & Cabinet's PM06-02)
- Cyber Security Policy (CSP) attestation (from the NSW Department of Customer Service DCS-2020-02)

Table 4: Format and stages of an annual report

Stage	Requirements
Form of an annual report	<p>Requirements in the Annual Reporting Regulations</p> <ul style="list-style-type: none"> • Material information reported • Logical sequence • Appropriate layout • Clear readable text • Appropriate captions for charts, diagrams, or photos • Index and table of contents to assist identifying reporting requirements • Annual Report size: ISO A4
Submitting annual reports to the Minister/Treasurer as an electronic or paper copy	<p>Requirements</p> <ul style="list-style-type: none"> • Not later than four months after year end • Submission of annual report to appropriate Minister: Appropriate Ministers can decide whether their Departments submit annual reports to that Minister in printed or electronic form. (PM2013-09) • Submission of annual report to the Treasurer: Submit an electronic copy of annual report to the Treasurer (annualreport@treasurer.nsw.gov.au) at the same time it is submitted to the appropriate Minister (PM2013- 09)
Presentation of annual reports to Parliament	<p>Requirements in the Annual Reporting Acts</p> <ul style="list-style-type: none"> • The appropriate Minister must present a printed copy of a Department's annual report to each House of Parliament. • To permit that Minister to meet this requirement, each Department must submit two printed copies of its annual report to that Minister.) • The appropriate Minister must present that report within one month of receipt • If late, statement by Minister
Printing and distribution requirements	<p>Requirements in the policies (PC 00- 68; PM 00-15; PM 2013-09)</p> <p>All production costs must be kept to a minimum by:</p>

- Limiting content to recording performance and meeting statutory obligations
- Printing hard copies in house in black and white
- Not including unnecessary pictures and illustrations
- Eliminating external production costs

Electronic copies of annual reports are to be sent to:

- State Records (upload to OpenGov NSW)
- National Library of Australia
- UWS Library
- State Library
- Parliamentary Library

Public availability of annual reports

Requirements in the Annual Reporting Acts/Regulations TC and policy (ARD Act section 14, ARD Reg clause 12, ARSB Act section 12, ARSBR clause 16, TC15-19, PM 2013-09)

- A copy of the annual report must be made publicly available on the Department's website (or other relevant website) as soon as practicable after the hard copy report is presented to Parliament
- A copy of the annual report must also be made available to Parliament in electronic form as soon as practicable after the hard copy report is presented to Parliament
- Available to others if required by the Treasurer

Annexure 2: Examples of guiding principles

Table 5: Summary of some reporting frameworks and their guiding principles

Reporting Framework	Guiding Principles
<p>Global Reporting Initiative</p>	<p>Reporting Principles for defining report content</p> <ul style="list-style-type: none"> • Stakeholder Inclusiveness • Sustainability Context • Materiality • Completeness <p>Reporting Principles for defining report quality</p> <ul style="list-style-type: none"> • Accuracy • Balance • Clarity • Comparability • Reliability • Timeliness
<p>Integrated Reporting Framework</p>	<p>Seven Guiding Principles underpin the preparation and presentation of an integrated report, informing the content of the report and how information is presented.</p> <ul style="list-style-type: none"> • Strategic focus and future orientation • Connectivity of information • Stakeholder relationships • Materiality (report substantive matters) • Conciseness • Reliability and completeness • Consistency and comparability
<p>The Commonwealth of Australia</p>	<p>The annual report for a non-corporate Commonwealth entity must be prepared having regard to the interests of the Parliament and any other persons who are interested in the annual report.</p> <p>Information included in the annual report must be relevant, reliable, concise, understandable and balanced, including through doing the following, where practicable:</p> <ul style="list-style-type: none"> • using clear design (for example, through headings and adequate spacing);

- defining acronyms and technical terms (for example, in a glossary);
- using tables, graphs, diagrams and charts;
- including any additional matters as appropriate.

South Australia

Annual reports must be:

- Transparent and accountable
 - Concise
 - Open
 - Performance-based
 - Factual
 - Citizen-centric
 - Accessible
-

Annexure 3: Examples of content/section outlines

Table 6: Summary of some reporting frameworks and their content elements or key sections

Reporting Framework	Content elements or Key sections of the report
Integrated Reporting Framework	<p>An integrated report includes eight Content Elements.</p> <ul style="list-style-type: none"> • Organizational overview and external environment: What does the organization do and what are the circumstances under which it operates • Governance: How does the organization’s governance structure support its ability to create value in the short, medium and long term? • Business Model: What is the organisation’s business model? (Its Inputs, Outputs and Outcomes) • Risks and opportunities: What are the specific risks and opportunities that affect the organization’s ability to create value over the short, medium and long term, and how is the organization dealing with them? • Strategy and resource allocation: Where does the organization want to go and how does it intend to get there? • Performance: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals? • Outlook: What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance? • Basis of preparation and presentation: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?
The United Kingdom	<p>Key sections of a government annual reports and accounts include;</p> <ul style="list-style-type: none"> • Performance Report <ul style="list-style-type: none"> – Performance overview and analysis – Sustainability reporting • Accountability Report <ul style="list-style-type: none"> – Corporate governance report – Remuneration and staff report – Parliamentary accountability and audit report • Financial Statements

South Australia

Content headings of a public sector agency annual report:

- CE Message
- Overview about the agency
- The agency's performance
- Financial performance
- Risk management
- Reporting required under any other act or regulation
- Public complaints
- Audited financial statements

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