

Latest changes to annual reporting requirements

- Legislative change:

Schedule 1 of the Annual Reports Regulations was amended to delete the requirement for relevant agencies to report on progress and strategies related to the Action Plan for Women, which expired in 2005.

- Policy change:

Premier's Memorandum 2008-28 *Sustainability Policy for NSW Government* has replaced Memorandum 1998-35 *Government Energy Management Policy Reducing Greenhouse Emissions from Government Operations*.

There is no longer a requirement for agencies to report in their annual reports on performance goals in relation to energy. Agencies report directly to the Department of Environment and Climate Change about their energy consumption.

Review of agencies' 2008 Annual Reports

The annual reports review program is part of NSW Treasury's strategy to enhance statutory compliance and the overall quality and relevance of agency annual reports. This review program is carried out annually with general objectives to:

- monitor compliance with annual reporting legislation
- promote best practice in public sector annual reporting.

With these objectives in mind we reviewed the annual reports for compliance with the relevant annual reporting requirements and identified instances of 'better' reporting practices. Where non-compliance was found or if we could suggest improvements, we contacted the relevant agencies.

In previous years this information was issued as a Treasury Circular but this web page now replaces the annual circular. Agencies will be advised by e-mail when this information is updated.

Agencies we looked at this year

This year we reviewed 35 reports for annual reporting compliance:

Government departments	13
Statutory bodies	12
State-owned corporations (SOCs)	10

What we looked at this year

We focussed on issues of non-compliance in the past and issues relevant to the current economic situation including:

- Management
 - performance reporting
 - risk management and insurance activities
 - numbers and performance of executive officers
 - method and term of appointment of board members (by statutory bodies and SOC's)
 - investment and liability management performance (by statutory bodies)
- Prompt payment of accounts (by departments and statutory bodies)
- Letter of submission
- Inclusion of financial statements of controlled entities
- Economic or other factors affecting the agency
- New requirement to include annual reports on websites

What we found

1. Management

a) Performance reporting:

Schedule 1 to the Annual Reports Regulations requires agencies to disclose, if practicable, qualitative and quantitative measures and indicators of performance showing the level of efficiency and effectiveness. SOCs that are in competition are to provide summarised disclosures.

We again noted an improvement this year in performance reporting. Several agencies are comparing their outcomes to targets and others mentioned that they will have targets in place for their annual report this year. We also see more use of the balanced scorecard approach. Many agencies link their performance to their Results and Service Plans or Statements of Corporate Intent (SCI). A few agencies report against benchmarks or national averages.

Agencies can improve their performance reporting by:

- Including targets with outcomes to show the reader whether the result achieved was what was expected
- Providing explanations for large variances to target
- Analysing trends to provide useful information on what the trend implies; i.e. is the amount supposed to increase or decrease by a certain amount each year? What trend would the entity expect?

Good examples of performance reporting include:

- Integral Energy Australia uses a balanced scorecard approach and also compares its financial performance against its SCI (pages 8-9, 11 and 66): <http://www.integral.com.au>
- NSW Lotteries compares its results to its SCI targets and uses a balanced scorecard approach (pages 5, 12-15 and 17): <http://www.nswlotteries.com.au>
- Sydney Harbour Foreshore Authority uses a balanced scorecard approach with objectives developed in line with the NSW State Plan (pages 6-7): <http://www.shfa.nsw.gov.au>
- NSW Health key performance indicators are linked to the seven strategic directions in its State Health Plan which in turn draws from the NSW Government State Plan and COAG's national health reform agenda (pages 44-47, 49, 57-58, 62 and 65): <http://www.health.nsw.gov.au>

b) Risk management and insurance activities:

Risk management disclosures have improved. All agencies reviewed provided information. Several agencies had very good disclosure.

Current best practice risk management process is set out in the Australian/New Zealand Standard AS/NZS 4360:2004 Risk Management. This process requires the systematic application of management policies, procedures and practices to the tasks of identifying, analysing, evaluating, treating, monitoring and communicating risk.

We encourage agencies to refer to this Standard when explaining and describing their risk management practices in annual report disclosures.

Good examples of risk management disclosure include:

- Forests NSW (Forestry Commission of NSW) assesses the impact and probability of its external, internal and financial risks (pages 90-94): <http://www.dpi.nsw.gov.au>
- NSW Lotteries' risk management program is based on the AS/NZS Standard and assesses each area of risk according to its likelihood of occurrence and the significance of its impact (page 45): <http://www.nswlotteries.com.au>
- Pillar Administration (Superannuation Administration Corporation)'s risk management policy is consistent with the AS/NZS Standard. Pillar discusses its specific risks and general risks, including how to address the risk of disasters (pages A9 and A16): <http://www.pillar.com.au>

- State Water has developed a risk management manual in accordance with the AS/NZS Standard and also has a risk register focussing on its strategic risks (pages 50-51): <http://www.statewater.com.au>
- NSW Health's risk management program includes many risk areas specific to it as a health organisation (pages 13-14 and 75-76): <http://www.health.nsw.gov.au>
- Legal Aid NSW disclosure on risk management specifically mentions business continuity and fraud (pages 58-59): <http://www.legalaid.nsw.gov.au>

c) Numbers and performance of executive officers:

Under the annual reports legislation agencies must disclose:

- the number of executive positions at each level for current and previous years (or total number at equivalent to SES 1 remuneration or higher for SOCs)
- the total number of female executives for the current and previous year
- for each executive officer equal to or greater than SES level 5 (or equivalent pay for SOCs) a statement of performance by the person responsible for the review with details of performance pay and summary of criteria determining this, plus the name, title and remuneration package and level (except for SOCs).

The majority of agencies reviewed provided the required information for the numbers of executives. A few entities neglected to include the previous year figures or the number of female executives.

For performance of executive officers the majority of agencies reviewed complied with the required disclosures. A few omitted some of the specific information required; e.g. who was responsible for the review or the actual dollar remuneration.

The NSW Department of Corrective Services (pages 92-95) and Legal Aid NSW (page 126) provide good examples of the requirements. The performance statements are signed by the individuals responsible for the review and include details on specific achievements during the year:

<http://www.dcs.nsw.gov.au>

<http://www.legalaid.nsw.gov.au>

- d) Disclosure of the method and term of appointment of board members by statutory bodies and SOCs:
 - The majority of the relevant agencies sampled complied with the requirements.
- e) Disclosure of investment and liability management performance by statutory bodies:
 - The majority of the relevant agencies sampled complied with the requirements.

2 Prompt payment of accounts (by departments and statutory bodies)

The legislation and NSWTC 06/26 require details of:

- accounts payable performance
- action taken to improve performance, where appropriate
- information on any interest paid due to late payments

NSWTC 06/26 provides sample disclosure that satisfies the requirements. Agencies may use another format where it complies with the legislation. A small number of agencies used another format which does not fully comply with the requirements. A few agencies did not provide details of action taken to improve performance.

3 Letter of submission

The letter of submission is an integral part of the annual report.

This letter must:

- state that it is being submitted to the Minister for presentation to Parliament
- include the provisions under which the report has been prepared
- mention the length of lateness in submitting the report, if applicable, and the reasons for the lateness
- give particulars of any extension granted or reasons if no application for extension has been made, where applicable
- be signed by the departmental head or by two members of a statutory body or, if without members, by the chief executive officer

We remind agencies to include the letter of submission in the body of the annual report and to provide details when an extension to the submission date has been granted

4 Inclusion of financial statements of controlled entities

Under the annual reports legislation, annual reports must include the audited financial statements of the entity as well as the audited financial statements of any controlled entities.

Fourteen of the agencies reviewed had controlled entities. All but one included the controlled entities' financial statements in their annual reports. This is an improvement over previous years.

5 Economic or other factors affecting the agency's operations

This information should give the reader an idea of what impacted on and affected the agency's operations during the year - whether positive or negative. It may be presented separately or is often included in the discussion by management of the year in review.

Compliance with this requirement improved this year. Examples of good disclosure include:

- Judicial Commission's key challenges faced included difficulty in attracting experienced staff because of industry-wide demand and frequent legislative changes during the year (page 3): <http://www.judcom.nsw.gov.au>
- Sydney Olympic Park Authority experienced a significant organisational restructure and the commencement of residential development at the Park was delayed due to flat local market conditions (pages 7 and 93): <http://www.sydneyolympicpark.com.au>
- Historic Houses Trust was affected during the year by the Asia-Pacific Economic Cooperation. Although the Trust received international exposure, the construction of fences near two sites reduced visitation substantially and significantly reduced income from attendances and shop takings (pages 7 and 22): <http://www.hht.net.au>
- Eraring Energy mentions the continued impact of the drought, carbon price uncertainty and rising escalation in the capital costs for new generation (pages 10-11): <http://www.eraring-energy.com.au>

6 Inclusion of Annual Report on agency website

The legislation requires entities to ensure that a copy of the annual report of the entity is made publicly available on the entity's website (or other relevant website) as soon as practicable after the report has been presented to Parliament. The new provisions require the posted annual report to replicate the report that is presented to Parliament (NSWTC 08/08). The entity is also to include in its annual report the internet address at which the report may be accessed (disclosure of the homepage address is sufficient) and a statement that the annual report is available on the entity's website.

All agencies sampled included their annual reports on their websites in one way or another.

Agencies can improve compliance by ensuring that they include an exact copy of the report tabled in Parliament. **In addition to** the exact copy the agency is free to present the required information on their website in other ways; e.g. an “Annual Report Summary” or the information divided into separate sections.

Feedback

We also provide verbal and/or written feedback on significant non-compliance issues each year to the agencies reviewed and monitor them to ensure they have corrected any areas of non-compliance in their annual reports the following year.

Other information

In addition to the annual review of agency reports, NSW Treasury provides the following information in the annual reporting section of the Treasury website:

Executive remuneration rates

Clauses 11 and 14 of the *Annual Reports (Statutory Bodies) Regulation 2005* require certain disclosures relating to executive remuneration. For SOCs, disclosure includes:

- remuneration package for executive officers paid the equivalent of Senior Executive Service (SES) level 5 or above and
- number of executives, for executive officers paid the equivalent of SES level 1 or above.

The remuneration rates are outlined in an annual Ministerial Memorandum usually issued in October each year and available at www.dpc.nsw.gov.au. To assist agencies NSW Treasury posts these rates within the ‘Frequently Asked Questions’ section of the website.

Annual Reporting Awards

- Premier’s Annual Reports Awards:

Each year the NSW Public Bodies Review Committee, in conjunction with the Public Accounts Committee, presents the Premier’s Annual Reports Awards to recognise and reward excellence in public sector annual reporting.

- Australasian Reporting Awards:

These awards are open to all organisations producing annual reports, with criteria based on world best practice guidelines for annual reports. The winners were announced in June. We congratulate the 27 agencies receiving awards this year.