

NSW Treasury

# Consultation Paper

---

Financial and Annual Reporting Framework April 2024



## Acknowledgement of Country

We acknowledge 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

<b>1</b>	<b>About this consultation paper</b> .....	<b>5</b>
1.1	Purpose of consultation.....	5
1.2	Introducing a holistic financial and annual reporting framework.....	5
1.3	How to provide feedback and next steps.....	6
<b>2</b>	<b>Framework overview</b> .....	<b>7</b>
2.1	Framework guiding principles .....	7
2.2	Current reporting framework and GSF Act obligations .....	7
2.3	Transitioning to the future reporting framework.....	8
<b>3</b>	<b>A holistic reporting framework</b> .....	<b>11</b>
3.1	Proposed differential reporting groups .....	11
3.1.1	Group 1 – “Significant reporting GSF agencies” .....	11
3.1.2	Group 2 – “Reporting GSF agencies” .....	13
3.1.3	Group 3 – “Non-reporting GSF agencies” .....	13
3.1.4	Summary of the proposed framework .....	15
<b>4</b>	<b>Grouping self-assessment</b> .....	<b>17</b>
4.1	Annual self-assessment process and timing.....	17
4.2	Maintaining evidence base to evaluate and continually improve.....	19
<b>5</b>	<b>Content and format of annual reporting information</b> .....	<b>20</b>
5.1	Overview of proposed changes.....	20
5.2	Annual Information Statement.....	20
5.2.1	Learnings from other frameworks .....	21
5.2.2	What information should be included in an AIS.....	21
5.3	Compliance Appendix.....	22
5.3.1	Compliance Index.....	22
5.4	Consultant Expenditure.....	23
5.5	Climate reporting.....	23
5.6	Consolidated annual reporting information .....	24
5.6.1	Current reporting framework.....	24
5.6.2	Gaps in the current approach.....	24
5.6.3	Proposed future reporting framework.....	24
5.7	Combined annual reporting information.....	26
5.7.1	What is combined annual reporting?.....	26
5.7.2	When combinations could be permitted or required .....	27
5.7.3	Options for frameworks that permit combined annual reporting .....	28
5.7.4	Proposed disclosures where annual reporting information is combined.....	28
<b>6</b>	<b>Financial information returns</b> .....	<b>31</b>
6.1	Financial information return to Treasury.....	31

<b>7</b>	<b>Review of the financial reporting exemption criteria for Group 3.....</b>	<b>33</b>
7.1	Operation of the financial reporting exemption criteria and identified challenges.....	33
7.2	Small agencies: application of financial thresholds.....	34
7.3	Small agencies: application of non-financial thresholds.....	35
7.4	Other kinds of agencies.....	35
<b>8</b>	<b>Former reporting GSF agencies and final financial and annual reports.....</b>	<b>37</b>
8.1	Current reporting framework for final financial and annual reports.....	37
8.2	Prescribed reporting exemption criteria.....	37
8.3	Proposed approach for FY2023-24 (calendar year 2024).....	38
8.4	Proposed framework for final financial and annual reports from FY2024-25.....	38
8.4.1	Application of three groups to final financial and annual reports.....	38
8.4.2	How to apply quantitative thresholds for former reporting GSF agencies.....	39
8.4.3	Machinery of Government restructures.....	40
8.4.4	Treasurer’s power to exempt from or modify requirements.....	41
<b>9</b>	<b>General matters .....</b>	<b>42</b>
	<b>Definitions/Glossary .....</b>	<b>43</b>
<b>Appendix A:</b>	<b>Legislative provisions .....</b>	<b>45</b>
<b>Appendix B:</b>	<b>Group 3 small agencies self-assessment and FIR template.....</b>	<b>49</b>
<b>Appendix C:</b>	<b>2022-23 small agencies exempt, by Portfolio .....</b>	<b>51</b>
<b>Appendix D:</b>	<b>Compliance Appendix and Index - research and samples.....</b>	<b>52</b>
<b>Appendix E:</b>	<b>Research – annual reports .....</b>	<b>56</b>
<b>Appendix F:</b>	<b>Template - Annual Information Statement .....</b>	<b>61</b>

# 1 About this consultation paper

---

## 1.1 Purpose of consultation

The purpose of this consultation is to:

- propose a framework to support the legislative requirements for identifying which agencies prepare financial and annual reports, and in what form the reporting would be
- seek stakeholder views on the proposed financial and annual reporting framework for grouping agencies from the FY2024-25 reporting period onwards
- ensure the appropriate balance between effort for agencies and benefits for citizens of New South Wales for financial and annual reporting
- ensure the sector has the support it needs to comply with obligations under the *Government Sector Finance Act 2018* (GSF Act), including their self-assessment against the prescribed reporting exemption criteria
- propose processes and practices that enable evidence-based evaluation and continuous improvement of the financial and annual reporting framework
- seek stakeholder views on the financial reporting exemptions and annual reporting requirements that have now been in place since 1 July 2021 and 1 July 2023 respectively.

The proposals in this consultation paper are not settled. Treasury seeks feedback on the proposals themselves, the impact they will have on the sector, and whether there are better approaches that could be taken. All feedback will be considered, and proposals adjusted or replaced based on that feedback.

---

## 1.2 Introducing a holistic financial and annual reporting framework

This consultation paper proposes a holistic financial reporting and annual reporting framework, including a set of criteria, supplementary to the legislative requirements, to determine which **groups** of GSF agencies prepare financial and annual reports, and, if so, what form of reports. Agencies will sit in one of three groups. We call this a **differential reporting framework**.

In addition to seeking feedback on the model proposed to determine a GSF agency's reporting group, this paper also seeks feedback on different elements of annual and financial reporting:

- introducing streamlined annual reporting for some agencies – called an Annual Information Statement
- requiring agencies that are exempt from producing audited financial statements to prepare and submit to Treasury annual financial returns – called a Financial Information Return
- clarifications to when and how annual reporting information should be prepared on a consolidated basis
- in what circumstances combined annual reporting could be used to better balance the costs and benefits of annual reporting
- adding a compliance index and/or compliance appendix to annual reports and/or Annual Information Statements
- financial and annual reporting requirements for former reporting GSF agencies.

---

## 1.3 How to provide feedback and next steps

NSW Treasury (Treasury) is inviting feedback and commentary from GSF agencies and other entities subject to the reporting provisions of the GSF Act (i.e. departments, agencies, statutory bodies, universities and State Owned Corporations), together with a range of other expert stakeholders.

You can make written submissions on this consultation paper by **10 May 2024** to [legislation@treasury.nsw.gov.au](mailto:legislation@treasury.nsw.gov.au).

You are welcome to submit a response in a way that suits you with reference to the sections in the consultation paper or you can use the Agency Feedback Paper (includes all the consultation questions) available on the Treasury website here [Consultation | NSW Treasury](#).

Following consideration of the feedback received from this consultation, Treasury will keep the sector updated on progress and development of new and/or updated Treasurer's directions and Treasury Policy and Guidance (TPGs) and any required amendments to the *GSF Act Regulation 2018*.

## 2 Framework overview

---

### 2.1 Framework guiding principles

The reporting requirements for NSW entities are set by a combination of a NSW legislative and policy framework, and the Australian Accounting Standards. The GSF Act is the principal NSW legislation that governs the financial and annual reporting requirements across the NSW government sector.

Under Part 7 of the GSF Act, requirements can be found for financial reporting, annual reporting information, consolidated government sector reporting, and performance information. The GSF Act also empowers the Treasurer to issue Treasurer's Directions on various financial and annual reporting matters.

The objects of this part of the GSF Act are:

- to promote transparency and accountability with respect to the reporting of certain financial and other information concerning the State, GSF agencies and reporting GSF agencies, and
- to facilitate the use of that information by its users (whether within or outside the government sector) to make informed decisions.

Consistent with the overall objectives of the GSF Act and those in Part 7, the financial reporting and annual reporting framework seeks to balance the benefits of transparency and accountability with the costs of providing that transparency and accountability.

Financial reporting under the GSF Act is the key medium by which NSW government entities discharge their accountability to the Parliament, the Government and the public for their financial performance.

Annual reports are an important way in which agencies are held accountable and provide transparency to Parliament and the community for the way public resources have been applied during a reporting period. They help inform decisions and provide a valuable record of the past.

---

### 2.2 Current reporting framework and GSF Act obligations

#### Types of Entities under the current reporting framework

The GSF Act applies to all GSF agencies. Under the GSF Act:

- A **non-reporting GSF agency** is a GSF agency of a kind prescribed by the *GSF Regulation 2018* (GSF Regulation) not to be a reporting GSF agency.
- A **reporting GSF agency** is any GSF agency, other than a non-reporting GSF Agency.
- An **annual reporting agency** is part of a subset of reporting GSF agencies which are required to prepare annual reports, which are currently defined by a list of agency names prescribed in Schedule 2 to the GSF Regulation.

**Universities and their controlled entities** are treated as reporting GSF agencies for the purposes of financial reporting and annual reporting information.

Appendix A lists the GSF agency definition and criteria that GSF agencies must meet under the GSF Act and GSF Regulation to become non-reporting GSF agencies. Also included in this appendix is Schedule 2 to the GSF Regulation listing of transitional annual reporting agencies.

## Obligations under the current reporting framework

The accountable authority of every GSF agency is required to establish, maintain and keep under review effective systems for risk management, internal control and assurance (including by means of internal audits) that are appropriate systems for the agency (section 3.6 GSF Act).

This responsibility includes maintaining accurate financial records and effective financial controls which form the foundation that ensures agencies can effectively and appropriately meet their obligations.

Under the GSF Act, the accountable authority for a:

- **GSF agency** must ensure that accounts and records:
  - properly record and explain the agency's transactions, cash flows, financial position and financial performance and allow for preparation; and
  - allow for the preparation and audit of financial statements or financial reports (section 7.5 GSF Act).
- **reporting GSF agency** is to prepare annual GSF financial statements and give those to the Auditor-General for auditing (section 7.6 GSF Act).
- **annual reporting GSF agency** is to ensure that the annual reporting information for the agency is prepared and presented in the form required (Division 7.3 GSF Act, TD23-11 and TPG23-10).

## Development of the current framework

The reporting framework has been subject to a staged implementation of the GSF Act requirements and application to entities as follows:

- From 1 July 2021: financial reporting covers GSF agencies and reporting GSF agencies.
- From 1 July 2023:
  - transitional reporting GSF agencies listed in Schedule 2 to the GSF Regulation are required to prepare annual reporting information for FY2023-24 (or calendar year 2024) under the GSF Act. This replaced those in the *Annual Reports (Departments) Act 1985*, the *Annual Reports (Statutory Bodies) Act 1984* and their associated regulations (together referred to as the Annual Reporting Acts)
  - the preparation and content of annual reporting information must have regard to the specified annual reporting guiding principles, mandatory high-level content headings and certain annual reporting information as a minimum (TPG23-10 [Annual Reporting Requirements](#)).

---

## 2.3 Transitioning to the future reporting framework

### The proposed framework

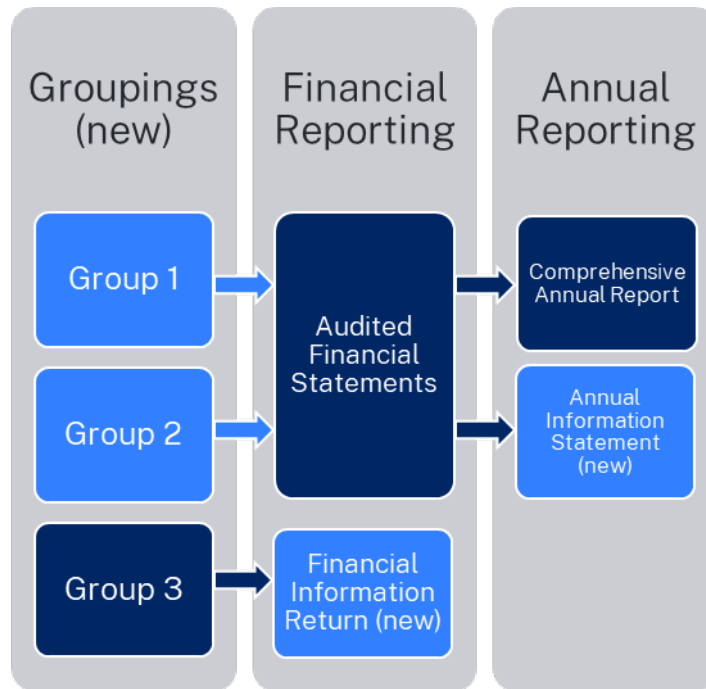
Previously Treasury intended to introduce a risk-based exemption regime to determine which 'reporting GSF agencies' will not be in scope to prepare annual reports from FY2023-24 (or agencies with calendar years from 2024).

Treasury has evolved this intention into a differential reporting framework for both financial and annual reporting, where GSF agencies will be in one of three groups and that grouping will determine the GSF agency's financial and annual reporting requirements. It includes some changes to what is reported by agencies in these groups. There is no change proposed to the requirement under the GSF Act for the preparation of audited financial statements.

Figure 1 illustrates the proposed differential reporting framework, including proposed new requirements.



Figure 1: Proposed differential reporting framework.



### Transition to the new proposed framework – FY2023-24

For FY2023-24, there is no substantial change for financial and annual reporting, however Treasury intends to require Group 3 agencies to prepare provisional financial information returns.

This means that for FY2023-24:

- **Reporting GSF agencies** will prepare annual reporting information similar to FY2022-23 (or calendar year 2023) as per the requirements of [Schedule 2 to the GSF Regulation](#) and outlined in the [TPG23-10 Annual Reporting Requirements](#). Treasury will make arrangements to amend the GSF Regulation to keep the list of transitional reporting GSF agencies for FY2023-24 (or calendar year 2024), deferring its repeal until 1 July 2025. The list will have some minor updates (e.g. amendments to reflect Machinery of Government changes).
- **Non-reporting GSF agencies** will submit to Treasury a provisional Financial Information Return. The provisional nature of the first financial information return will give both Treasury and agencies the opportunity to work out the appropriate reporting format and evidence base to support the financial information return. It also recognises that for certain types of agencies in this group they need support and guidance to transition to the new reporting requirement.

### Transition to the new proposed framework – FY2024-25

From FY2024-25, Treasury proposes full implementation of the proposed financial and annual reporting framework. We seek feedback about whether this is a realistic time frame.

The summary of the proposed framework’s transition is outlined in Table 1.

Table 1 Transition to new grouping and reporting requirements

Groups	2022-23 Previously	2023-24 Transition year	2024-25 and beyond	Refer to
<b>Group 1 - Significant Reporting GSF agencies</b>	Only agencies listed in GSF Regulation Schedule 2 prepare annual reports.	Only agencies listed in GSF Regulation Schedule 2 (updated) prepare annual reports.	Agencies placed in Group 1 based on self-assessment against set criteria.	Section 3.1.1 of this paper
<b>Group 2 - Reporting GSF agencies</b>	Annual reports required to include mandatory headings and guided by principles in the GSF Regulation.	Some minor clarifications to annual reporting requirements, including for disclosure of consultant expenditure.	Agencies placed in Group 2 based on self-assessment against set criteria.  New Requirement for Group 2 agencies to prepare and Annual Information Statement.	Section 3.1.2 of this paper
<b>Group 3 - Non-reporting GSF agencies</b>	No reporting.	New requirement for non-reporting GSF agencies to submit to Treasury a <i>Provisional</i> Financial Information Return.	Requirement for non-reporting GSF agencies to submit to Treasury a Financial Information Return.	Section 3.1.3 of this paper

## 3 A holistic reporting framework

Treasury has developed a proposed **differential reporting framework** to determine which GSF agencies prepare what kinds of financial and annual reports from the FY2024-25 (or calendar year 2025). The framework takes a holistic view of GSF agency reporting under the GSF Act.

The purpose of defining the differential reporting framework is to:

- ensure that agencies with the highest need for public accountability and transparency prepare a high degree of published information,
- reduce the administrative burden where this is not warranted, and
- support the discharge of accountable authorities' obligations.

The proposed framework has been developed by considering the objects of Part 7 of the GSF Act (see section 1.1 of this paper), the purposes of financial and annual reporting, costs and benefits of preparing financial and annual reporting information, analysis of NSW agencies' financial data, research across other jurisdictions, and consultation with key stakeholders.

---

### 3.1 Proposed differential reporting groups

Treasury is proposing a **differential reporting framework** to determine reporting requirements of GSF agencies from the FY2024-25 (or calendar year 2025). This will replace the current approach of listing agencies.

The framework will place agencies in one of three groups, based on a combination of quantitative and qualitative factors or criteria. Each group is intended to be subject to different levels of financial and annual reporting requirements appropriate to the size and nature of the agencies in that group.

- Group 1 agencies – “Significant reporting GSF agencies”
- Group 2 agencies – “Reporting GSF agencies”
- Group 3 agencies – “Non-reporting GSF agencies”

Treasury's goal is to establish an evidence and risk-based approach to ensure the sector has an effective and efficient framework that caters to the needs of both the preparing agency and the intended audience in terms of the grouping and content of annual reporting information.

#### 3.1.1 Group 1 – “Significant reporting GSF agencies”

Reporting GSF agencies which satisfy the proposed quantitative or qualitative criteria stated in Table 2 below, fall within Group 1 and are called “Significant reporting GSF agencies”.

Group 1 agencies would prepare comprehensive annual reporting information, prepare annual GSF financial statements and keep books and records as per the GSF Act.

Table 2: Proposed criteria of Group 1 agencies and their requirements

Group 1 – Significant reporting GSF agencies	
Criteria	Requirements
<p>Meeting any one of the criteria below results in Group 1 status.</p> <p><b>Qualitative criteria</b> Reporting GSF agencies which belong to one of the following categories:</p> <ol style="list-style-type: none"> <li>1. Departments listed in Part 1 of Schedule 1 to the <i>Government Sector Employment Act 2013</i> (GSE Act)</li> <li>2. Integrity agencies as defined in the Appropriations Act</li> <li>3. SOCs listed in Schedule 5 to the <i>State Owned Corporations Act 1989</i> (SOC Act)</li> <li>4. Universities in New South Wales</li> </ol> <p><b>OR</b></p> <p><b>Quantitative criteria</b> Reporting GSF agencies which meet any <u>one of</u> the criteria below:</p> <ul style="list-style-type: none"> <li>• Assets <u>more than or equal</u> to \$200 million</li> <li>• Liabilities <u>more than or equal</u> to \$100 million</li> <li>• Expenses <u>more than or equal</u> to \$50 million</li> <li>• Income <u>more than or equal</u> to \$50 million.</li> </ul>	<ul style="list-style-type: none"> <li>• Keep books and records (section 7.5 GSF Act)</li> <li>• Prepare annual GSF financial statements and submit for audit (section 7.6 GSF Act)</li> <li>• Prepare comprehensive annual reports (Division 7.3 GSF Act, TD23-11 &amp; TPG 23-10)</li> </ul>

Treasury assessed several factors during the development of the above proposed criteria, including financial modelling and analysis of data from nearly 200 agencies who prepared FY2022-23 annual reports and/or who submitted financial data to Treasury. Treasury also considered other relevant information, such as approaches in other jurisdictions and reporting frameworks.

**Qualitative analysis** was based on how agencies are established or how they are described legally and what their main functions are. Information in agency annual reports, websites, enabling legislation were analysed to identify four main types of agencies with higher accountability expectations and greater public interest.

These four agency types are:

- Departments listed in Part 1 of Schedule 1 to the GSE Act
- Integrity agencies as defined in the Appropriations Act
- State Owned Corporations (SOCs) listed in Schedule 5 to the SOC Act.
- Universities in New South Wales.

**Quantitative analysis** was based on financial data (i.e. income, expenses, assets and liabilities). Treasury collated information from published FY2022-23 annual reports and/or financial data agencies submitted to Treasury in Prime over four years (from FY2019-20 to FY2022-23). This data was analysed to identify which agencies have a substantive contribution to the overall total income, expenses, assets and liabilities values of all agencies.

The proposed criteria and financial thresholds above were determined to ensure that those agencies which contribute the top 99 per cent of the total revenue, expenses, assets and liabilities of the NSW public sector were included in Group 1. Our analysis indicated that approximately the same

number of agencies would be part of Group 1 as were previously required to prepare annual reports, although the actual agencies required to prepare annual reports would not be the same.

Treasury recognises there are limitations to the above analysis. For example, the analysis does not include GSF agencies that:

- are not currently listed in Schedule 2 to the GSF Regulation; or
- do not submit financial information to Treasury through Prime.

For example:

- we understand that none of the Local Health Districts would have been included in our analysis, other than as part of the consolidated financial information submitted to Treasury by the Ministry of Health.
- any GSF agencies that are not listed in Schedule 2 to the GSF Regulation or do not submit financial information to Treasury through Prime were not included in the analysis. This means it is likely the proposed criteria above would capture more agencies than our analysis indicated.

Treasury seeks feedback about what agencies would be captured by these proposed criteria and thresholds, whether those agencies should in fact be in Group 1 or Group 2 and whether the proposed thresholds are at the right level.

**Research** was conducted across various jurisdictions, including state jurisdictions within Australia as well as those outside the country. The proposed framework draws upon insights gathered from the *Corporations Act 2001* (Cth), New Zealand External Reporting Board (XRB), Australian Charities and Not-for-profit Commissions (ACNC), and State and Territory jurisdictions such as the Queensland and the Australian Capital Territory. This research is outlined in Appendix E.

### 3.1.2 Group 2 – “Reporting GSF agencies”

Treasury proposes that reporting GSF agencies which do not belong to Group 1 or Group 3, will be Group 2 agencies.

Group 2 agencies will be asked to prepare an Annual Information Statement (proposed in this paper), annual GSF financial statements and keep books and records as per the GSF Act.

Table 3: Proposed criteria of Group 2 agencies and their requirements

Group 2 – Reporting GSF agencies	
Criteria	Requirements
<p>If an agency does not meet the criteria to be in Group 1 or in Group three, this results in Group 2 status. That is, Group 2 includes:</p> <ul style="list-style-type: none"> <li>• Reporting GSF agencies not meeting the criteria to be in Group 1</li> <li>• GSF agencies not meeting the criteria to be in Group 3</li> </ul>	<ul style="list-style-type: none"> <li>• Keep books and records (section 7.5 GSF Act)</li> <li>• Prepare annual GSF financial statements and submit for audit (section 7.6 GSF Act)</li> <li>• Prepare Annual Information Statements (as outlined in section 5.2 of this paper) ((TD or TPG – <b>to be developed</b>)</li> </ul>

### 3.1.3 Group 3 – “Non-reporting GSF agencies”

GSF agencies that meet the criteria to be exempt from financial reporting under Division 2 of the GSF Regulation, are Group 3 agencies.

Group 3 agencies will be asked to prepare an annual Financial Information Return (proposed in this paper) and keep books and records as per the GSF Act. There is no requirement for external reporting.

Table 4: Criteria of Group 3 agencies and their requirements

Group 3 – Non-reporting GSF agencies	
Criteria	Requirements
<p>GSF agencies that meet the criteria to be exempted from financial reporting, namely:</p> <p><u>Small agencies:</u> A GSF agency meeting all of the following requirements:</p> <ol style="list-style-type: none"> <li>the assets, liabilities, income, expenses, commitments and contingent liabilities of the agency are each less than \$5 million</li> <li>the total cash or cash equivalents held by the agency is less than \$2.5 million,</li> <li>at least 95% of the agency’s income is derived from money paid out of the Consolidated Fund or money provided by other GSF agencies</li> <li>the agency does not administer legislation for a Minister by or under which members of the public are regulated</li> </ol> <p><u>Crown Land Managers (CLMs) and Common Trusts (CTs)</u></p> <p>The CLM or CT meets the ‘small agency’ requirements (a), (b) and (d).</p> <p>Requirement for income:</p> <ul style="list-style-type: none"> <li>CLMs: the income of the CLM, derived from sources other than money paid out of the Consolidated Fund, money paid out of the Crown Reserves Improvement Fund or money provided by other GSF agencies, is less than \$100,000.</li> <li>CTs: the income of the CT, derived from sources other than money paid out of the Consolidated Fund or money provided by other GSF.</li> </ul> <p><u>Special purpose staff agencies:</u> A GSF agency that comprises solely of persons who are employed to enable another particular GSF agency to exercise its functions.</p> <p><u>Retained State interests:</u> agencies established with the sole purpose of holding certain retained State interests</p> <p><b>Note:</b> see the full details of the criteria in Division 2 of the GSF Regulation.</p>	<ul style="list-style-type: none"> <li>Keep books and records (section 7.5 GSF Act)</li> <li>Prepare Financial Information Return (as outlined in section 6 of this paper) ((TD or TPG – to be developed)</li> </ul>

The approach adopted in the GSF Regulation was introduced following extensive consultation with the sector at the time, with the objective to better balance the costs of preparing financial statements with the benefits to the public of those financial statements being prepared.

Section 7 of this paper for further discusses and seeks feedback on the criteria and its application since its introduction.

### 3.1.4 Summary of the proposed framework

Table 5 below summarises the proposed framework that would apply for the FY2024-25 (or calendar year 2025) and onwards. A process diagram is also included to show how to identify which group an agency will sit in.

Table 5: Summary of the proposed framework for FY2024-25 (or calendar year 2025) and onwards

Requirement	Keep books and records	Prepare Financial Information Return	Audited financial statements	Annual Information Statement	Annual reporting information
Reference	s7.5 GSF Act	TD or TPG to be developed	s7.6 GSF Act	TD or TPG to be developed	Div 7.3 GSF Act, TD23-11 & TPG 23-10
Group 1	☑		☑		☑
Group 2	☑		☑	☑	
Group 3	☑	☑			

Proposed decision tree to help agencies identify their Group:

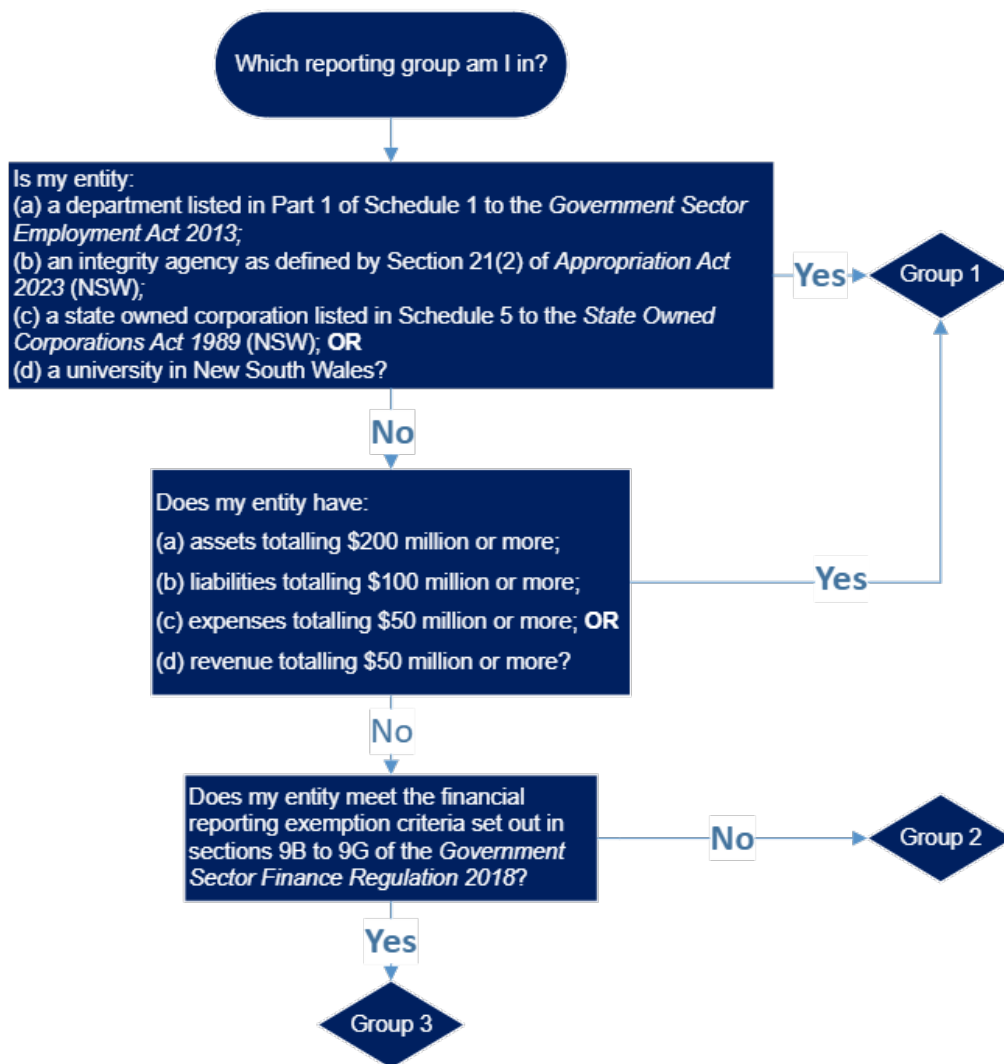


Figure 2: Proposed decision tree to help identify grouping

3	Questions: A holistic reporting framework
i.	For the FY2023-24 (or calendar year 2024), it is proposed to keep the list of agencies in <u>Schedule 2 to the GSF Regulation</u> . Do you require any amendments to the list of agencies? If so, please provide an explanation (e.g. due to Machinery of Government (MoG) changes, abolished, or is exempted from financial reporting).
ii.	The proposed framework will place agencies in one of three groups, based on a combination of quantitative and qualitative factors or criteria. What do you see as the benefits and disadvantages of a differential reporting framework? What alternative approaches should Treasury consider? Why?
iii.	The proposed Group 1 qualitative criteria are intended to identify certain categories of agencies that should always prepare comprehensive annual reports for accountability and public interest. Are there any other categories of agencies that should be included in Group 1? Should any of the proposed categories of agencies not be included in Group 1? Do you have any other feedback on the proposed categories, e.g. whether they are defined precisely enough to be applied reasonably easily?
iv.	The Group 1 quantitative criteria propose certain financial threshold values. Do these thresholds appropriately balance the benefits to the public of transparency and accountability with costs of preparing annual reports? What, if any, changes should be made to the proposed Group 1 financial threshold values? Why?
v.	Under the proposed framework, for your reporting GSF agency or agencies, please provide details of whether they would fall into Group 1 or Group 2 (with any supporting financial information optional). Do you believe the proposed criteria places them into the appropriate group? Why?
vi.	Section 5.6 explores whether a parent entity that falls into Group 1 or Group 2 should prepare consolidated annual reporting information. To determine which Group a parent entity falls into, should the parent entity be assessed against the proposed thresholds on the basis of parent-only financial information, or on the basis of consolidated financial information? Why?
vii.	<p>The proposed criteria for determining which group an agency should fall into seeks to balance the benefits of transparency and accountability with the costs of providing that transparency and accountability.</p> <p>How much does it cost your agency to prepare separately the financial statements for audit and the annual report?</p> <p>Any information on the following is useful:</p> <ul style="list-style-type: none"> <li>• types of costs this involves e.g. internal staff, external auditing costs</li> <li>• is this just for your agency, or do you prepare annual reports for a several agencies</li> <li>• time taken and resources involved.</li> </ul>
viii.	Should the Treasurer, or their delegate, be empowered to require that an agency must report according to a higher group's reporting requirements, if it is judged that the entity has a higher expectation for public accountability? Should there be exemptions from a group's reporting requirements and on what basis?
ix.	Do you have any other comments or feedback?



# 4 Grouping self-assessment

Treasury will develop requirements and guidelines to support agencies perform timely and accurate assessment of their reporting obligations. This is to ensure that agencies are aware of and able to comply with their obligations.

Treasury is also considering how to collect each financial year an evidence base of how the differential reporting framework has been applied, and when is the appropriate time to collect this.

---

## 4.1 Annual self-assessment process and timing

### Proposed requirements and guidance

Treasury proposes that accountable authorities for all GSF agencies:

- Should (recommended) conduct a preliminary self-assessment approximately three months before the end of the relevant reporting period to determine which Group they are likely to fall into for that reporting period. It is also suggested an additional preliminary self-assessment is done mid-year where the agency sits close to financial thresholds or there has been a change in circumstances.
- Must (mandatory) conduct a final self-assessment to determine which Group they fall into within one month of the end of the relevant reporting period, using up-to-date data and as at the last day of the relevant reporting year.
- Must (mandatory) inform the Audit Office of NSW if they are likely to, or do, move between Group 2 and Group 3 (in either direction).

### Rationale for proposed requirements and guidance

The accountable authority's obligation as a reporting GSF agency arises on 1 July for financial year-end (1 January for calendar year-ends) in respect of the immediately preceding reporting period.

However, agencies will be recommended to conduct a self-assessment earlier in their financial year to ensure they can identify their reporting obligations before year-end. This will help agencies ensure they have sufficient time to plan, and to gather the necessary data and information required to prepare reporting, where required to do so.

### Guidance to help complete a self-assessment

Treasury is proposing that the self-assessment use the specific criteria under the Group 1, Group 2 or Group 3 requirements to inform the agency of how they are expected to report. The financial criteria will be the key determinants each year, as qualitative criteria are generally static and continue from the previous year.

The type of agency financial information needed to conduct a self-assessment and evidence to support the allocated grouping and, if applicable, any prescribed exemption would be the totals of the key financial balances (e.g. values of assets, liabilities, income, expenses, commitments and contingent liabilities of the agency).

A proposed template for the self-assessment for small agency exemption is provided in Appendix B. Following this consultation where identified as needed Treasury will develop self-assessment templates to support other kinds of Group 3 agencies and the annual reporting information criteria for Group 1 and Group 2.

The robustness of the self-assessment will be dependent on the agency having good financial information. In this regard, the keeping of proper financial records and ensuring internal controls are maintained is important. Appendix B also includes guidance on the kinds of information and evidence that Group 3 agencies would need to have to support their self-assessment.

## Guidance for when a GSF Agency moves between groups

Recognising that agencies may move in and out of groups, the following guidance is provided:

- Where a Group 1 agency subsequently meets the Group 2 criteria the following year, it can elect to continue applying the Group 1 requirements or instead apply the Group 2 requirements and prepare an Annual Information Statement, financial reporting remains unchanged.
- Where a Group 2 agency subsequently meets the Group 1 criteria the following year, it must apply the Group 1 requirements and prepare comprehensive annual reporting information.
- Where a Group 3 agency subsequently no longer meets the Group 3 criteria the following year, it must apply the relevant Group 2 requirements (or Group 1, if applicable). Given the substantial change in both financial and annual reporting requirements with this move, the earlier the agency can identify this movement the better prepared the agency can be. The accountable authority is to notify the Audit Office that they will be preparing financial statements for audit.
- Where a Group 1 or 2 agency subsequently meets the Group 3 criteria, it can elect to continue applying the Group 1 or 2 requirements or instead apply the Group 3 requirements and submit an annual financial Information return to Treasury. The accountable authority needs to notify the Audit Office that the agency will no longer be preparing financial statements for audit.
- A Group 2 or Group 3 agency can prepare comprehensive annual reporting information, if desired, or if required by other legislation.
- A Group 3 agency can prepare financial statements, if desired, or required by other legislation.

## Timeline for self-assessment

Table 6: Proposed process for self-assessment and actions

Timing	Action (FY reporting)
December	<b>Recommended - Where relevant, conduct preliminary self-assessment against criteria.</b> Where applicable, inform the Audit Office if likely to move between Group 2 and Group 3.
March	<b>Recommended - Conduct a preliminary self-assessment against criteria.</b> Where applicable, inform the Audit Office if likely to move between Group 2 and Group 3.
March – June	<b>Required for applicable agencies - Prepare for requirements applicable, if subject to, Mandatory early close.</b>
During July	Closing off end of year accounts for the reporting period <b>Required - Conduct final self-assessment against criteria.</b> Where applicable, inform the Audit Office if likely to move between Group 2 and Group 3.
By 1 August	Group 1 and Group 2 agencies – statutory reporting deadline to submit annual financial statements to Audit Office.
Six weeks after reporting year end	<b>Required - Group 3 agencies:</b> <ul style="list-style-type: none"> <li>• If it is the agency of a kind: small agency, crown land manager or common trust – submit to Treasury a Financial Information Return.</li> <li>• If it is the agency of a kind: special purpose staff agencies or retained State interest – no reporting.</li> </ul>
By 31 October	<b>Required - Group 1 and Group 2 -</b> submit their audited financial statements to responsible Minister.
By 30 November	<b>Required - Group 1 and Group 2 –</b> Table annual reporting information and audited financial statements in Parliament.

## 4.2 Maintaining evidence base to evaluate and continually improve

To ensure Treasury can continuously evaluate and improve the differential reporting framework, Treasury will be seeking to formalise processes to build on and maintain the existing evidence base supporting the framework.

To gather a list of agencies by Group each financial year going forward, Treasury proposes to formalise the process including:

- When Group 3 agencies submit the financial information return, Treasury will use this to establish the list of Group 3 agencies (referred to as non-reporting GSF agencies, that is, those exempt agencies under GSF Regulation).
- Treasury's six-monthly update of the GSF Agency List Guide will ask for details in which Group the agency sits (i.e. Group 1, Group 2 or Group 3).

Periodically, Treasury may review published annual reports, total State sector returns, and the newly submitted financial information returns to ensure that accountable authorities effectively identify their agency groups and are fulfilling their reporting obligations.

4	Questions: Grouping self-assessment
i.	What are the challenges and costs that you or your agencies would have in conducting a self-assessment, including if asked to provide evidence related to the self-assessment?
ii.	How could Treasury support the accountable authority undertake an accurate self-assessment?
iii.	Would you find templates for the self-assessment, such as that at Appendix B for small agencies, useful?
iv.	Is the process Treasury has proposed to be kept informed of which grouping your agencies sit in manageable? What feedback do you have about the proposed process?
v.	Is the process Treasury has proposed to be kept informed of which grouping your agencies sit in manageable? What feedback do you have about the proposed process?

# 5 Content and format of annual reporting information

---

## 5.1 Overview of proposed changes

Annual reporting information for a GSF reporting agency is information about the agency's activities during an annual reporting period for the agency.

Annual reports are prepared in accordance with requirements under TPG 23-10. Treasury developed these requirements following extensive consultation with agencies from August 2021 until July 2023.

The differential reporting framework proposed in this paper would require:

- Group 1 agencies to prepare an annual report in accordance with TPG 23-10. This kind of annual report will be called a comprehensive annual report.
- Group 2 agencies to prepare a substantially shorter Annual Information Statement (AIS).

The new AIS for Group 2 agencies is discussed in section 5.2.

In relation to both comprehensive annual reports and AISs, this paper proposes introducing a compliance index and a compliance appendix, to improve the usefulness and readability of the annual reporting information. This is discussed in section 5.3.

In this paper Treasury also proposes clarifying that a parent entity must prepare consolidated annual reporting information for the consolidated group and explores what that would mean for subsidiaries reporting obligations. This is discussed in section 5.6.

In terms of Group 1 requirements, this paper proposes no other changes to the content of comprehensive annual reports, other than some clarification in relation to disclosure of consultant expenditure (discussed in section 5.4).

This paper also explores whether the ability to combine annual reports could be used to achieve a better balance between costs and public interest. This is discussed in section 5.7.

---

## 5.2 Annual Information Statement

Treasury proposes that all reporting GSF agencies need to provide some form of information about the agency, its purpose, and activities to accompany the financial statements. Certain types of information would be useful and informative to provide for stakeholders some context in which to understand the financial statements.

To this end, it is proposed that Group 2 agencies will prepare an Annual Information Statement (AIS).

An AIS would focus on essential agency updates and performance highlights providing readers with any crucial information about the agency. An AIS means that all agencies preparing financial statements are required to provide at least some annual reporting information, to provide context for the financial statements, and thereby improve transparency and accountability.

While the introduction of the AIS may reduce the reporting burden for certain reporting GSF agencies that currently prepare annual reports, there will be other reporting GSF agencies asked to prepare annual reporting information for the first time under the proposals made in this paper. Treasury seeks feedback and information about how this would impact affected agencies.

The AIS would remain aligned with the principles and headings of the Regulation and TPG23-10. An AIS would be the minimum requirement for Group 2 – a comprehensive annual report could still be published if the agency wished to.

## 5.2.1 Learnings from other frameworks

When developing a type of short form annual report, Treasury examined other national and international frameworks who adopt a tiering approach based on size, allowing a shorter form of reporting for smaller agencies. See Table 14 in Appendix E.

## 5.2.2 What information should be included in an AIS

Treasury is proposing the content requirements outlined in Table 7 will be in an AIS. These contents are focussed on the discharge of legislative responsibilities and providing narrative sufficient to provide information on operations and drivers of financial performance. The AIS would be expected to be a short document of around 2 to 8 pages (excluding the financial statements, audit report and compliance appendix).

Table 7: Reporting requirements for the proposed Annual Information Statement

Short Form Annual Report/Annual Information Statement (AIS)		
<b>Beginning</b>	Letter of submission	1 page
<b>1. Overview</b>	<ul style="list-style-type: none"> <li>Agency's purpose, vision and values</li> <li>Manner in which, and purpose for which, the agency was established</li> <li>Principal legislation administered within the agency</li> </ul>	A few paragraphs
<b>2. Strategy, Operations and Performance</b>	<ul style="list-style-type: none"> <li>Strategic Objectives</li> <li>Activities – describe nature and range of activities</li> <li>Summary review of operations and performance</li> </ul>	A few paragraphs
<b>3. Management and Accountability</b>	<ul style="list-style-type: none"> <li>Leadership and organisation</li> <li>Human Resources</li> </ul>	A few paragraphs Any required compliance information and statements should be directed to the compliance appendix.
<b>4. Sustainability</b>	<ul style="list-style-type: none"> <li>Sustainability statement and strategy</li> <li>Climate reporting statement (if required)</li> </ul>	A few paragraphs
<b>5. Financial Performance</b>	<ul style="list-style-type: none"> <li>Financial Statements and audit report</li> </ul>	As many pages as needed
<b>Compliance Appendix</b>	<ul style="list-style-type: none"> <li>Compliance appendix would include information about the applicable compliance obligations of Group 2 agencies</li> </ul>	As many pages as needed

Section lengths set out in the table above are provided as a guide, agencies have the flexibility to adjust them based on their specific size and reporting requirements.

See Appendix F for the detailed description of proposed contents for the AIS.

Agencies in Group 2 will be able to submit a comprehensive annual report, if they wish to do so. The extent of the report can be the same as a Group 1 agency or they can elect to incorporate some of

the information from the comprehensive annual report, to be included alongside the Annual Information Statement.

---

## 5.3 Compliance Appendix

Treasury is proposing requiring compliance information be included in a compliance appendix at the end of the comprehensive annual report or AIS.

Currently agencies provide their compliance details throughout the annual report wherever the agency sees fit. This could cause annual reports to be less reader-friendly and to distract from the key information with which agencies want the audience to engage.

The proposed compliance appendix would contain information about the compliance obligations and whether they have been met. The purpose of this is to benefit the audience and to increase transparency for the reader. Additionally, this may assist agencies preparing the reports as they may be able to more efficiently disclose the compliance information required in the annual report.

Examples of the types of compliance disclosures that could be put in the compliance appendix include, but are not limited to:

- Land Disposal (TPG23-10)
- Consultants (TPG23-10)
- Internal audit and risk management policy attestation (TPP20-08)
- Cyber Security Policy (CSP) attestation (DCS Cyber Security Policy)
- Compliance with the *Privacy and Personal Information Protection Act 1998* (PIPA Act)
- *Government Information (Public Access) Act 2009* (GIPA Act)
- *Public Interest Disclosures Act 1994* (PID Act)
- Disability Inclusion Action Plans
- Modern Slavery Act 2018 reporting
- Work Health and Safety
- Workforce Diversity.

Agencies should exercise their discretion when determining if they are exempt from a compliance requirement and provide a brief explanation for their exemption under the relevant section.

Any other compliance obligations, prescribed by legislation for a particular agency, will also need to be completed and can be included in the compliance appendix.

Group 2 agencies will still be required to disclose any compliance obligations if prescribed by legislation. However, we are proposing that the AIS will not require Group 2 agencies to report on compliance obligations prescribed solely by TPG23-10 (e.g. land disposal).

See Appendix D for findings from other jurisdictions and more detail on the proposed Compliance Appendix and Index.

### 5.3.1 Compliance Index

Treasury is proposing requiring a compliance index to be on the initial page of the compliance appendix in both comprehensive annual reports and AISs. The compliance index would list the compliance requirements outlined in the compliance appendix or alternatively in the annual report or AIS, referencing the pages where the compliance obligation is discussed or met. Additionally, it would feature a column adjacent to the requirements, allowing entities to disclose their compliance status. See Table 12 and Table 13 in appendix D for sample compliance index for each Group.

The inclusion of a compliance index aims to assist the reader to identify an agency's compliance with the disclosure requirement throughout the report and appendix, enhancing overall clarity and

transparency. Other jurisdictions such as the ACT and Queensland have already adopted a compliance index or checklist in the annual report.

See Appendix D for findings from other jurisdictions and more detail on the proposed Compliance Appendix and Index.

## 5.4 Consultant Expenditure

### Current requirements

TPG23-10 requires agencies to include annual reporting information on consultant spending.

The following details in respect of each engagement during the annual reporting period must be disclosed by each agency (other than the NSW Trustee or the Senate, Board of Governors or Council of a university):

Table 8: Consultant expenditure disclosures

For each engagement costing equal to or greater than \$50,000	For engagements costing less than \$50,000	No engagements
<ul style="list-style-type: none"> <li>Name of consultant</li> <li>Title of project (shown in a way that identifies the nature of the work)</li> <li>Actual costs</li> </ul>	<ul style="list-style-type: none"> <li>Total number of engagements</li> <li>Total cost</li> </ul>	<ul style="list-style-type: none"> <li>A statement that no consultants were used</li> </ul>

### No major changes

Treasury is proposing that only Group 1 agencies should disclose consultant expenditure.

Given recent public attention on reporting of the sector's expenditure on consultant's, Treasury considered whether any changes are required to how consultant expenditure is disclosed in annual reports.

There is currently a NSW Parliamentary Inquiry that is due to report in May 2024 ([NSW Government's use and management of consulting services](#)). We will await the outcome of that inquiry and its recommendations before final decisions are made on reporting of consultant expenditure disclosures. Any changes would be made mindful of the time and effort required to implement them.

### Minor change – expensed and capitalised

The paper proposes one amendment to clarify the requirement to disclose expenditure on consultants, responding to recommendations from the Audit Office ([NSW government agencies' use of consultants | Audit Office of New South Wales](#)).

From FY2023-24, disclosures on consultant expenditure must include all expenditure on consultants in accordance with the thresholds, regardless of whether the engagement is expensed or capitalised for accounting purposes. Previous guidance did not make this clear, and agencies had adopted different approaches in practice.

## 5.5 Climate reporting

Treasury is finalising the policy approach for climate-related financial disclosures. This paper does not at this time deal with how climate-related financial disclosures will form part of annual reporting

information. However, Treasury is working towards a unified approach once the implementation phase of climate-related financial disclosure reporting is completed.

In the future, as with the proposals for financial and annual reporting in this paper, we expect that a single differential reporting framework would be established with grouping of entities according to whether financial, annual and climate reporting is required. Where required, Treasury expects that climate disclosures would form part of the overall annual reporting information, in their own clearly marked section (as with financial reports currently).

As climate disclosures are implemented in the coming years, Treasury will consult with agencies on how to integrate climate disclosure requirements within the overall annual and financial reporting framework.

---

## 5.6 Consolidated annual reporting information

### 5.6.1 Current reporting framework

Currently, a reporting GSF agency listed in Schedule 2 to the GSF Regulation that is also a parent entity (as defined by accounting standards), includes in their annual report consolidated financial statements which includes separate parent entity financial statement information.

In contrast, the guidance in TPG 23-10 *Annual Reporting Requirements* does not specify whether the annual reporting information required to be in the parent entity's annual report should be on a consolidated basis, for the parent only or include both parent and consolidated annual reporting information.

In fact, TD 23-11 *Annual Reporting Requirements* and TPG 23-10 permits but does not require a parent agency to combine its other annual reporting information with the annual reporting information of its subsidiaries.

### 5.6.2 Gaps in the current approach

As a result of the lack of clarity described above, inconsistent practice has been observed across the sector. For example:

- The Auditor-General's Report on the "[NSW government agencies' use of consultants](#)" (released in March 2023 ) states that spending on consultants by NSW Local Health Districts (LHDs) is not reported in any agency's annual report consultant disclosures. The Ministry of Health does not include the consultant expenditure of LHDs in its annual reporting and LHDs are not required to publish individual annual reports under the GSF Act.
- From a desktop review of annual reports by a small sample of parent entities, Treasury observed that other information has been prepared on a consolidated basis, covering for example, operations and performance and sustainability information of the consolidated group.

NSW Treasury contacted the Treasuries in other Australian jurisdictions about reporting by subsidiaries. None of those jurisdictions require their subsidiaries to prepare annual reports. In addition, none of those jurisdictions require a parent to include subsidiary financial statements in the parent's annual reports.

### 5.6.3 Proposed future reporting framework

As part of the differential reporting framework, Treasury is exploring options in relation to parent and subsidiary entities. Below are some proposals which seek to balance the costs of preparing with the benefits of transparency and accountability. Treasury seeks feedback on whether the proposals are workable and achieve the right level of accountability and transparency. Treasury also seeks feedback on alternative approaches that could achieve a better balance.



## Annual reporting information

To remove the ambiguity created by current requirements and guidance, this paper proposes that for FY2024-25 (or calendar year 2025) and beyond:

- A parent entity will be required to self-assess which group they fall into based on the financial information of the consolidated group. For example, a parent entity has assets of \$50 million and the consolidated group has assets of \$250 million, the parent entity must self-assess against the proposed quantitative thresholds set out in section 3.1 using the assets of the consolidated group, i.e. \$250 million. This proposal would be consistent with the proposals outlined below.
- A parent agency will be required to prepare annual reporting information on a consolidated basis. This means the parent entity would be required to combine their annual reporting information with that of its subsidiaries.
- Where a subsidiary falls into Group 1, that subsidiary will be required to prepare a standalone comprehensive annual report, even though its information is included in the consolidated annual report prepared by the parent entity. The rationale for this requirement is that Group 1 agencies are considered to have a higher level of public interest and accountability, so should still be required to prepare standalone information.

This may result in the same information being reported twice, however, the duplicate information would be presented in different contexts, applying a different level of materiality and according to different degrees of aggregation. The duplication could be minimised by allowing the consolidated and subsidiary annual reporting information to cross-reference each other where there is duplicate information. For example, the consolidated annual reporting information could refer to the list of consultant engagements in the subsidiaries annual report, rather than duplicating the information. Another example could be that the subsidiary could cross-reference the consolidated annual reporting information relating to management and accountability to the extent applicable.

- Where a subsidiary falls into Group 2, that subsidiary would not be required to prepare a standalone AIS, because its obligation to prepare the AIS would be taken to have been complied with based on the parent entity's consolidated annual reporting information. The parent entity would need to include in the consolidated annual reporting information additional disclosures to describe the subsidiaries included in the consolidated annual reporting information, including:
  - name of the entities covered by the annual report
  - the purpose of those entities and how they are established

This could be complied with by referring to information in the consolidated financial statements about the entities consolidated.

A summary of the proposed annual reporting requirements for parents and subsidiaries considering three different scenarios is shown in Table 9.

Table 9: Summary of proposed annual reporting requirements for parents and subsidiaries

Scenarios (A, B, C)			Reporting requirements	
	Parent	Subsidiary	Parent	Subsidiary
A	Group 1	Group 1	Comprehensive annual report on a consolidated basis, including consolidated financial statements.	Standalone comprehensive annual report, including subsidiaries financial statements.

Scenarios (A, B, C)			Reporting requirements	
	Parent	Subsidiary	Parent	Subsidiary
B	Group 1 or Group 2	Group 2	<p>Comprehensive annual report on a consolidated basis, including consolidated financial statements.</p> <p>Must include:</p> <ul style="list-style-type: none"> <li>• subsidiaries' annual financial statements; and</li> <li>• additional disclosures to describe the subsidiaries included in the annual reporting information.</li> </ul>	No standalone annual reporting information required.
C	Group 1 or Group 2	Group 3	<p>AIS on a consolidated basis, including consolidated financial statements.</p> <p>Must include additional disclosures to describe the subsidiaries included in the annual reporting information.</p>	No separate reporting required.

Treasury proposes that each parent agency will be permitted but not required to present annual reporting information for the standalone parent entity in addition to its consolidated annual reporting information (other than financial statements, as discussed below).

## 5.7 Combined annual reporting information

### 5.7.1 What is combined annual reporting?

GSF Act section 7.10 allows two or more agencies to combine their annual reporting information but only if required or permitted by regulation, other legislation or Treasurer's Direction. The only combination permitted under the current annual reporting framework is where agencies are in a parent/subsidiary relationship under Australian accounting standards, or where required or permitted under other legislation.

Treasury is seeking views and information about whether, and how, the ability to combine annual reporting information of two or more agencies could be used to improve the balance between costs of producing annual reporting information and the transparency and accountability that information creates.

#### The advantages and disadvantages of combining annual reporting information

The potential advantages of requiring or permitting combined annual reporting information beyond parent/subsidiary relationships could include:

- providing the public with a more complete and more useful picture of how public resources are used where the agencies undertake strongly related activities and/or have strongly linked operations and governance
- creating efficiency and cost savings – reducing the time and resources required to prepare annual reporting information, especially where the agencies share common operating and governance environments.

The potential disadvantage of combined annual reports include the possibility of reduced transparency and accountability, because information about a single agency can be lost amongst the combined information. Treasury has also observed that where a large number of entities are combined in a single annual report, there is a risk that information about those agencies is difficult for the public to find and hard for readers to understand. As an example, the Crown Related Entities financial statements, included in NSW Treasury's annual report, are difficult to find if you don't know the entities are administered by Treasury. Their financial statements are provided with very little context to explain them to readers. They serve as an example of the challenges created of allowing multiple entities to be combined in a single annual report.

Depending on what kinds of reporting GSF agencies' annual reporting information is combined, there may also be a risk that information is not comparable over time. For example, where MoG changes result in periodic changes to which reporting GSF agencies combine their annual reporting information.

## **Other jurisdictions and frameworks**

Other jurisdictions permit a broader approach to combined reporting. Queensland, Victorian and New Zealand legislation permits Ministers responsible for two or more entities that are required to prepare annual reports to combine them into a single annual report. In addition, Australian Capital Territory legislation permits a person responsible for two or more annual reports to combine information into a single report where that information can be 'appropriately combined'. Treasury has been advised by those jurisdictions that there have been few such combinations in practice (see Appendix G).

Private sector annual reports prepared under the *Corporations Act 2001* and Australian Stock Exchange Listing Rules are limited to a parent and subsidiary group based on Australian Accounting Standards.

### **5.7.2 When combinations could be permitted or required**

Treasury is consulting on the possibility of extending combined annual reporting beyond agencies in a parent/subsidiary relationship under Australian accounting standards.

#### **Circumstances where annual reporting information could be combined**

Treasury seeks views on, and examples of, when it makes sense for the annual reporting information of two or more reporting GSF agencies to be combined.

Examples of circumstances where combined annual reporting information could be beneficial is where there is a common:

- responsible or coordinating Minister
- accountable authority (for example, where the governing boards of two or more agencies comprise exactly the same people)
- Government objective shared by the agencies (for example, where two or more agencies manage similar parks in different locations)
- operating or governance environment for the agencies (for example, where a reporting GSF agency is a legal entity but is practically operated as a division of a department).

#### **Circumstances where annual reporting information should not be combined**

Treasury seeks views on, and examples of, when it may not be appropriate for the annual reporting information of two or more reporting GSF agencies to be combined.

Examples of circumstances where combined annual reporting information may not be appropriate could be where:

- one or both of the agencies are integrity agencies (such as the Audit Office, the Ombudsman or the Independent Commission Against Corruption)

- one of the agencies has a regulator, or regulator-like role, over the other agency or agencies
- one or both of the agencies are SOCs.

### 5.7.3 Options for frameworks that permit combined annual reporting

Treasury is exploring, and seeks feedback on, how combined annual reporting could be permitted, including whether and how parameters should be put around what agencies could combine their annual reporting information.

Options being considered include:

1. Permitting the accountable authority or the responsible Minister for the GSF agencies, to determine when combined annual reporting could be used. This could be guided by some high-level principles or parameters set by the Treasurer.

This may have the actual or perceived disadvantage of self-regulation, resulting in decisions to combine or separate annual reporting information to present the most favourable picture to Parliament or the public. This could also have the impact of inconsistent practices across the sector, which could make it hard for the public to find information or could be appropriate given the significant diversity in the sector.

2. Permitting combined annual reporting only where approved by the Treasurer or the Treasurer's delegate. Similarly, this could be guided by high-level principles or parameters.

While this presents a lesser perceived self-regulation threat, it would introduce a degree of administrative burden for the agencies in having to apply to the Treasurer and for the Treasurer in having to opine on those requests. Similar to option 1, this could also have the impact of inconsistent practices across the sector.

3. Setting a set of rules, principles or parameters which, if met, would require certain agencies to prepare combined annual reporting information.

This approach may provide certainty and consistency across the sector and remove any perceived or actual risks associated with self-regulation. However, it may be challenging to identify the rules, principles and parameters that would achieve the best reporting outcomes in all circumstances, given the diversity of agencies in the NSW public sector.

### 5.7.4 Proposed disclosures where annual reporting information is combined

One of the potential disadvantages of combined annual reports includes the possibility of reduced transparency and accountability. To mitigate this risk, Treasury proposes requiring certain disclosures where annual reporting information is combined. This could include, for example:

- name of the entities covered by the combined annual reporting information
- why the annual reporting information of the entities have been combined, including for example how the entities relate to each other
- method used to combine the annual reporting of the GSF agencies
- for each of the reporting GSF agencies:
  - the purpose of those entities and how they are established,
  - a summary of operations and performance for the reporting period.

These proposed disclosures could be included as a separate disclosure, or throughout the annual reporting information.

5	Questions: Content and format of annual reporting information
i.	<p>From FY2024-25 (or calendar year 2025), it is proposed that Group 2 agencies prepare an Annual Information Statement (a short form annual report – as outlined in section 5.2 of this paper).</p> <ul style="list-style-type: none"> <li>a) Should agencies who do not have to prepare a comprehensive annual report be subject to preparing a short form annual report?</li> <li>b) Should some agencies be exempt from preparing any forms of a report, including a short form report? If yes, who should be exempt?</li> <li>c) What should be included in a short form annual report?</li> <li>d) Would a short form annual report help reduce the time and cost of preparing an annual report?</li> <li>e) What parts of an annual report take longest and cost most to complete?</li> </ul>
ii.	<p>Treasury is proposing implementing a compliance appendix at the end of the comprehensive annual report and AIS where agencies will disclose their compliance obligations (see more details in section 5.2 of this paper).</p> <ul style="list-style-type: none"> <li>a) Would a compliance appendix be useful in an annual report for both the agencies and the audience? Would it increase transparency for the audience?</li> <li>b) Would it assist agencies with fulfilling their obligations for compliance reporting?</li> <li>c) If implemented, should a compliance appendix be mandatory or optional?</li> </ul>
iii.	<p>Treasury is proposing a compliance index to the initial page of the compliance appendix in the annual report and AIS (see more details in section 5.3.1 of this paper).</p> <ul style="list-style-type: none"> <li>a) Would a compliance index be useful in an annual report for both the agencies and the audience?</li> <li>b) Would there be a cost or unnecessary pressure added to agencies if this was requirement?</li> <li>c) Would the benefits of this index outweigh any potential cost?</li> <li>d) Should a compliance index be mandatory or optional?</li> <li>e) Is it useful to have both a compliance appendix and a compliance index in comprehensive annual reports?</li> </ul>
iv.	<p>Agencies are required to include annual reporting information on consultant spending for each engagement costing equal to or greater than \$50,000 (see more details in section 5.4 of this paper).</p> <ul style="list-style-type: none"> <li>a) Should the \$50,000 threshold be increased/decreased?</li> <li>b) Would it be useful for expenditure in consolidated reports to be broken down by subsidiary for better transparency?</li> <li>c) Should Universities and Trustees continue to be exempt from disclosing consultant expenditure? If so, why?</li> </ul>
v.	<p>As a minor change, agencies will be required to include annual reporting information on consultant spending, whether expensed or capitalised, for each engagement.</p> <ul style="list-style-type: none"> <li>a) Treasury has described this as a minor change. Do you agree? Why? What would be the practical challenges with implementing this change to include capitalised consultant expenditure?</li> </ul>

5	Questions: Content and format of annual reporting information
vi.	<p>As part of the differential reporting framework, Treasury is exploring options to clarify how annual reporting information should be prepared by parent and subsidiary entities.</p> <ul style="list-style-type: none"> <li>a) Section 5.6.3 puts forward some preliminary proposals in relation to consolidated annual reporting information. Would the proposals be workable and achieve the right level of accountability and transparency.</li> <li>b) What alternative approaches should Treasury consider?</li> <li>c) If a parent entity is required to prepare consolidated annual reporting information, should the parent also disclose annual reporting information specific to the parent entity separately, similar to financial reporting?</li> <li>d) Section 5.6.3 proposes that, where the subsidiary does not prepare standalone annual reporting information, additional disclosures would be required to provide information about what agencies are covered by the annual reporting information. What, if any, additional disclosures should be included in consolidated annual reporting information about the subsidiaries included in the annual reporting information?</li> </ul>
vii.	<p>Treasury is consulting on the possibility of extending combined annual reporting beyond agencies in a parent/subsidiary relationship under Australian accounting standards (see more details in section 5.7).</p> <ul style="list-style-type: none"> <li>a) What advantages and disadvantages do you see in extending combined annual reporting beyond agencies in a parent/subsidiary relationship?</li> <li>b) What circumstances would combined annual reporting information be beneficial? Why?</li> </ul> <p>If you have examples of where combined annual reporting information should be permitted, could you please provide details of the entities, why combining the annual reporting information would be beneficial and any risks that combining the annual reporting information might present?</p> <ul style="list-style-type: none"> <li>c) What circumstances should combined annual reporting not be permitted? Why?</li> <li>d) Section 5.7.3 explores potential ways to set up a framework that would permit or require combined annual reporting. In your view, what would the best approach be to permitting or requiring combined annual reporting? Why?</li> <li>e) What are some rules, principles or parameters that could be used to guide decisions about when to use combined annual reporting?</li> <li>f) Section 5.7.4 proposes requiring combined annual reporting information to include specific disclosures to mitigate the potential disadvantages of combined annual reporting. What, if any, additional disclosures should be included in annual reports that combine the annual reporting information of two or more agencies?</li> </ul>

# 6 Financial information returns

Treasury is considering ways to ensure the accountable authority, the Audit Office and Treasury can be assured that GSF reporting obligations are effectively fulfilled. Because Group 3 agencies currently neither report information publicly, submit information to the Audit Office nor submit any information to Treasury, there is minimal assurance that Group 3 agencies are complying with their obligations to keep books and records or are accurately self-assessing to place themselves in the correct reporting group.

This paper proposes that the following Group 3 Non-Reporting GSF agency will provide a financial information return to Treasury:

- small agencies (clause 9D of the GSF Regulation)
- crown land managers (clause 9E of the GSF Regulation)
- common trusts (clause 9EA of the GSF Regulation)

Treasury proposes that special purpose staff agencies and retained State interests entities would **not** be asked to provide a Financial Information Return. This is because their reporting exemptions is based on the inclusion of their financial statements or financial performance within another reporting GSF agency.

This paper does not explore the exact requirements for the crown land managers and commons trusts. Treasury is working closely with the Department of Planning, Housing and Infrastructure, given the unique nature of those entities.

---

## 6.1 Financial information return to Treasury

Treasury is proposing that agencies in Group 3 prepare a simplified financial information return to be submitted to Treasury annually. This will allow Treasury to monitor which agencies have identified in this group, understand their financial position and be assured that agencies are keeping proper records.

Treasury proposes the type of information to be submitted would allow Treasury to have some understanding of the nature of the financial position of the agency in terms of expenses, income, assets and liabilities, albeit at a high level. It is not intended to be a general purpose financial report rather it would demonstrate the agency is meeting its obligation to keep proper records.

Treasury has yet to determine the format of the FIR and will be guided by further consultation. Currently it is proposed that the annual financial information return would be the same as, or similar, to the small agency self-assessment template in Appendix B. Appendix B also includes proposed guidance for small agencies about the kinds of information that they would need to have as evidence to support their financial information return. While the supporting information would not be required to be submitted to Treasury, Treasury and/or the Audit Office may request such information if needed.

The proposed FIR will mean that agencies currently exempted from financial reporting under the GSF Act will be now asked to submit some form of financial information to Treasury. Treasury seeks feedback on implementation and transition challenges this would create for these agencies. It is recognised that there will be a difference between those agencies whose financial accounts are managed within a larger department or those agencies who are standalone with limited financial staff.

6	Questions: Financial information returns
i.	What challenges exist for non-reporting GSF agencies, particularly small agencies, in respect of keeping proper financial accounts and records, including the kinds of supporting information outlined in Table 10 of Appendix B?
ii.	What support can Treasury provide to assist agencies meet their obligations to keep proper financial records?
iii.	What are the costs and/or resource challenges involved in Group 3 agencies submitting an annual financial information return to Treasury, such as that proposed in Appendix B?
iv.	What support can Treasury provide to assist agencies prepare and submit annual financial information returns to Treasury?



# 7 Review of the financial reporting exemption criteria for Group 3

GSF agencies that meet the financial reporting exemption criteria (Clauses 9D to 9G of the GSF Regulation) are exempt from financial reporting and are Group 3 Non-reporting GSF agencies under the proposed differential reporting framework described in section 3.1. The financial reporting exemption criteria as set out in Division 2 of the GSF Regulation is included at Appendix A.

The purpose of the prescribed exemption criteria is to provide a principles-based way for low-risk agencies to obtain relief from the cost and effort of preparing audited financial statements. In the Auditor-General's report State Finances 2023, the Auditor-General recommended Treasury conduct a broader review of the financial reporting exemption criteria.

This consultation paper seeks feedback and information from stakeholders so that Treasury can evaluate and continuously improve the financial reporting exemption criteria, consistent with the Auditor-General's recommendation. This is to ensure the prescribed exemption criteria are fit for purpose and that the accountable authority, the Audit Office and Treasury can be assured that non-reporting GSF agencies are fulfilling their obligations under the GSF Act.

This section discusses and seeks feedback on the operation of the financial reporting exemption criteria as it relates to small agencies, special purpose staff agencies, and retained State interests.

The prescribed exemption criteria applicable to Crown land Managers and commons trusts is being considered by Treasury and the Department of Planning, Housing and Infrastructure separately to this paper (though any feedback on their exemption rules is nevertheless welcome through this consultation).

---

## 7.1 Operation of the financial reporting exemption criteria and identified challenges

The accountable authority for a GSF agency is to self-assess their exemption status based on whether the requirements for each kind are met **each year**.

Following commencement on 1 July 2021 of relevant sections of the GSF Act, agencies have had to assess and determine if they meet the financial reporting exemption criteria from the FY2021-22 reporting year (or calendar year 2023).

During this time, Treasury has gathered information about agencies that applied the exemption criteria, examined challenges related to the criteria and increased our understanding of the types of agencies in this group.

Based on the above research and experiences, Treasury identified a number of potential policy, legal and practical challenges including (but not limited to):

- potential for GSF agencies on the financial threshold of a criterion to move in and out of the exempt status on an annual basis
- potential for GSF agencies to inaccurately self-assess whether they meet the exemption criteria, and/or not conducting the self-assessment in a timely manner
- Treasury has limited data available about which and how many agencies self-assess as meeting the exemption criteria each year
- Treasury has limited data available about which and how many universities and university-related entities self-assess as meeting the exemptions criteria each year
- potential that the static financial threshold criteria may pose long-term challenges for agencies exceeding the threshold due to inflation

- mis-drafting in the GSF Regulation meaning that zero income agencies are not able to be exempt from financial reporting requirements
- whether the financial thresholds, in particular the lower income threshold, has effectively achieved the intention of relieving low-risk agencies from the cost and effort of preparing audited financial statements.

---

## 7.2 Small agencies: application of financial thresholds

The current financial criteria set for small agencies are:

- \$5 million for assets, liabilities, income, expenses, commitments and contingent liabilities of the agency;
- income must be at least 95 per cent derived from money paid out of the Consolidated Fund or money provided by other GSF agencies; and
- \$2.5 million for cash (or cash equivalents) held by the agency.

### Changing exemption status each year

Treasury acknowledges that the use of static quantitative thresholds may have introduced challenges for agencies. For example, if an agency meets the exemption criteria and are therefore in Group 3 one year, but the following year does not meet the exemption criteria and falls into Group 2, the agency will be required to produce audited financial statements. This paper also proposes at section 3.1.2 that a Group 2 agency would also be required to produce, at a minimum, an Annual Information Statement. This could be considered somewhat of a ‘compliance cliff’.

All GSF agencies, including those that meet the financial reporting exemption criteria are required to keep books and records such that they would be able to prepare financial statements (s7.5 of the GSF Act).

This paper proposes at 3.1.3 to require those agencies which meet the small agency exemption criteria to conduct an annual self-assessment against the exemption criteria and submit to Treasury an annual financial return. In addition, Treasury proposes to provide guidance to small agencies to support them do both these things.

As described at section 6 the purpose of the annual financial return and related guidance is to:

- provide assurance to Treasury and the Audit Office that agencies that meet the small agency exemption are complying with their obligation to sufficient books and records
- provide Treasury with information to monitor the effectiveness of the exemption criteria
- support small agencies comply with their obligation to keep appropriate books and records and therefore reduce the burden created by the compliance cliff described above.

### Quantitative-only thresholds may not be representative

While the main financial criteria emphasise the dollar size, there could be risks related to agency assets or liabilities that aren’t fully captured or other factors (e.g. valuation, accounting) may be relevant to take into consideration. We are seeking input on whether non-financial considerations should be included.

### Static dollar-based thresholds

Over time the real-term value of the financial threshold will diminish as an agency’s expenses and incomes increase due to inflation and cost indexation. There is currently no provision for reviewing the threshold at standard intervals. An alternative to regular review could be cost indexation. We invite agencies to share their thought on this matter namely when would be appropriate time to review.

---

## 7.3 Small agencies: application of non-financial thresholds

There are two non-financial criteria to meet for an agency to be exempt from audited financial statements. These criteria are in addition to the financial criteria discussed above.

These criteria are that:

- at least 95% of the agency's income is from the Consolidated Fund or other GSF agencies; and
- the agency does not administer regulatory legislation for a Minister.

These two criteria aim to ensure that in instances where there is likely to be a high expectation for public transparency – for agencies with incomes sourced from outside government (e.g. agencies that collect money from the public), or regulatory functions – there is a high degree of rigour in financial reporting through the production of audited financial statements.

### Capturing the right characteristics

We seek feedback on whether there are other non-financial criteria that should be considered in the financial reporting exemption criteria.

### Agencies with no income cannot meet the 95 per cent test

Based on advice from the Crown Solicitor, an agency with zero income in a particular year cannot satisfy the '95 per cent of income' requirement in clause 9D(c), and therefore cannot meet the small agency exemption criteria. This is clearly not the intention of the small agency exemption criteria.

Treasury proposes to seek amendment to the clause 9D(c) 95% of income test for agencies, to clarify that the policy intent is to capture an agency with no income.

The proposed amendment below will mean that an agency will qualify for the small agency exemption if they have no income and meet all of the other criteria in clause 9D.

Clause 9D(c) GSF Regulation	
<b>Current:</b>	at least 95% of the agency's income is derived from money paid out of the Consolidated Fund or money provided by other GSF agencies,
<b>Proposed amended clause:</b>	if the agency has income, at least 95% of the agency's income is derived from money paid out of the Consolidated Fund or money provided by other GSF agencies,

---

## 7.4 Other kinds of agencies

There are other kinds of agencies that are exempted from preparing financial statements where they met the relevant exemption criteria. They are:

- Crown Land Managers (CLMs) and Commons Trusts (CTs).
- Retained State interests.
- Special purpose staff agencies.

We invite agencies to share their experiences or challenges with the exemption criteria for these kinds of agencies.

7	<b>Questions: Review of the financial reporting exemption framework</b>
i.	<p><b>General feedback on the financial reporting exemptions</b></p> <ul style="list-style-type: none"> <li>a) How effective have you found the financial reporting exemption criteria in balancing costs of preparing, and having audited, general purpose financial statements with the benefits to the public of transparency and accountability?</li> <li>b) What, if any, GSF agencies meet the financial reporting exemption criteria but should be required to prepare general purpose financial statements? Why should those agencies prepare general purpose financial statements?</li> <li>c) What, if any, GSF agencies do not meet the financial reporting exemption criteria but should be relieved from preparing, and having audited, general purpose financial statements? Why should they be relieved from preparing and having audited general purpose financial statements?</li> <li>d) Are there other functions that an agency may perform that would warrant it producing full audited financial statements, regardless of its size?</li> <li>e) What are the costs and/or resource difficulties experienced with preparing financial statements for smaller to medium sized agencies (e.g. audit fees, financial staff, IT systems, management review etc.)?</li> <li>f) What are some of the factors that make the cost of preparing financial statements not commensurate with the size and/or nature of the agency?</li> <li>g) Should non-financial considerations (e.g. type of asset, accounting treatment) be taken into account in respect of the financial metrics (e.g. assets and liabilities). If so, give examples.</li> <li>h) Should there be some consideration given to the inflation and cost indexation impact on the financial thresholds? And if so, when would be appropriate time to review.</li> </ul>
ii.	<p><b>Small agencies</b></p> <ul style="list-style-type: none"> <li>a) What would you estimate the cost, in effort and dollars, would preparing and having audited a simple set of general purpose financial statements for a small agency?</li> <li>b) Should the financial metrics consider elements outside dollar value? For example, the nature of the assets, liabilities or contingent liabilities and/or the condition of assets.</li> <li>c) What problems, if any, does a fixed financial threshold mean for your small agency?</li> <li>d) How can we assess and maintain the relevance of the financial thresholds to ensure they are appropriate? Any examples to support this would be helpful.</li> <li>e) Are there non-financial characteristics of the financial thresholds that should also be considered?</li> <li>f) Does the test of 95 per cent of income coming from NSW government sources adequately reflect where public interest lies? Should it be higher, or lower?</li> <li>g) Does the proposed amendment for zero income agencies meet the needs of your small agency?</li> </ul>

# 8 Former reporting GSF agencies and final financial and annual reports

---

## 8.1 Current reporting framework for final financial and annual reports

A 'former reporting GSF agency' is an agency that ceases to be a 'reporting GSF agency' for any reason (GSF Act section 7.2). This includes when an agency:

- ceases to be a GSF agency (for example, because the agency is abolished or wound up), or
- becomes exempt from reporting when it becomes of a kind prescribed by the GSF Regulation not to be a reporting GSF agency. That is, the agency moves from Group 1 or Group 2 to Group 3.

Unless exempt, the accountable authority for a former reporting GSF agency must:

- prepare, and have audited, final financial statements for the part of the reporting period before it ceased to be a reporting GSF agency (GSF Act section 7.7).
- ensure that final annual reporting information for that agency is prepared, tabled and published for the part of the reporting period before it ceased to be a reporting GSF agency.

The Treasurer, under GSF Act sections 7.7 and 7.14, is empowered to give directions exempting a former reporting GSF agency from the requirements to prepare final financial statements and/or financial annual reporting information.

This paper proposes and seeks feedback on a framework to determine which former reporting GSF agencies should prepare final financial and annual reports.

---

## 8.2 Prescribed reporting exemption criteria

Before the Treasurer grants any exemptions from the requirements to prepare final financial statements, or final annual reporting information the Treasurer must first 'have regard to' the prescribed reporting exemption criteria for former reporting GSF agencies. The prescribed exemption criteria serve as a set of principles to guide the Treasurer's decisions.

Currently no such criteria are prescribed in the GSF Regulation for former reporting GSF agencies.

However, the GSF Regulation already sets out prescribed reporting exemption criteria applicable to 'reporting GSF agencies' (GSF Regulation clause 9A and set out below).

### **Reporting GSF agency – prescribed reporting exemption criteria**

*GSF Regulation clause 9A: prescribed reporting exemption criteria for use in determining whether kinds of GSF agencies should be excluded from the definition of reporting GSF agency*

- a) whether there are users of information contained in the annual GSF financial statements for the kind of GSF agency,
- b) whether the kind of GSF agency is subject to the direction and control of a responsible Minister or another GSF agency,
- c) whether the financial position and financial performance of the kind of GSF agency are consolidated within the financial statements of another GSF agency,
- d) whether the kind of GSF agency does not generally hold cash or cash equivalents.

Treasury suggests prescribing these same criteria for ‘former reporting GSF agencies’. Treasury makes this suggestion based on its preliminary view that these criteria apply equally to financial reporting and annual reporting by former reporting GSF agencies. Treasury is seeking comments on this preliminary view and whether additional criteria should be prescribed.

## 8.3 Proposed approach for FY2023-24 (calendar year 2024)

GSF agencies that become former reporting GSF agencies for FY2023-24 (or calendar year 2024) because they first meet the financial reporting exemption criteria in the GSF Regulation in that year (that is, the agencies move from Group 1 or Group 2 to Group 3) will be exempt from preparing final financial statements and annual reporting information. Instead, they will be required to prepare and submit a provisional financial information return to Treasury, as outlined in Sections 3.1.3 and section 6.

For GSF agencies that become former reporting GSF agencies because they are abolished during FY2023-24 or calendar year 2024, they will be able to seek exemption from preparing final financial statements and final annual reporting information. They can seek exemption by contacting Treasury at [legislation@treasury.nsw.gov.au](mailto:legislation@treasury.nsw.gov.au) and providing the following information:

- name of the reporting GSF agency
- date that it was abolished
- why and how it was abolished (e.g. due to Machinery of Government restructure)
- dollar value of its income and expenses during its final reporting period
- dollar value of its assets, liabilities, commitments and contingent liabilities at the date that it was abolished
- reason the former reporting GSF agency should be exempt from preparing final financial statements and annual reporting information
- name, title and contact details of a representative for the former GSF agency.

## 8.4 Proposed framework for final financial and annual reports from FY2024-25

### 8.4.1 Application of three groups to final financial and annual reports

As noted in section 3 of this Document, Treasury has developed a proposed differential reporting framework using a model to assign GSF agencies to one of three reporting groups:

- Group 1 – Significant reporting GSF agencies
- Group 2 – Reporting GSF agencies
- Group 3 – Non-reporting GSF agencies

It’s proposed this same differential model will be used to determine the financial reporting and annual reporting requirements that will apply for former reporting GSF agencies from FY2024-25, and calendar year 2025.

Former Reporting GSF Agency	Requirements
Group 1	Final audited financial statements for period up to date the agency is abolished.

Former Reporting GSF Agency	Requirements
	Final comprehensive annual report for period up to the date the agency is abolished. Keep books and records up to the date the agency is abolished.
Group 2	Final audited financial statements for period up to the date the agency is abolished. Final AIS for period up to date the agency is abolished. Keep books and records up to the date the agency is abolished.
Group 3 – abolished	Final annual financial return to Treasury for period up to the date the agency is abolished. Keep books and records up to the date the agency is abolished.
Group 3 – continues to exist (i.e. moves from Group 1 or Group 2 to Group 3)	Annual financial return to Treasury for the whole financial year. Keep books and records for the whole financial year.

Treasury proposes exempting agencies abolished by Machinery of Government (MOG) changes from the requirement to prepare final financial statements and final annual reporting information (see section 8.4.3 below).

## 8.4.2 How to apply quantitative thresholds for former reporting GSF agencies

As described above, this paper proposes the same criteria as set out in Section 3 will be used to determine which group a former reporting GSF agency will fall into. It is proposed that no adjustment will be made to how the thresholds are applied, even though a former GSF agency may not have existed for the whole of the relevant reporting period.

### *Example 1*

A GSF agency is abolished on 31 March 2024. At the date it was abolished, it had assets of \$0m and liabilities of \$0m because all assets and liabilities were either sold to the private sector or transferred to another GSF agency by 1 July 2023. During the period between 1 July 2023 and 31 March 2024, its expenses totalled \$40m and revenue totalled \$50m.

Because the GSF agency had revenue of \$50m or more during the relevant financial year, the GSF Agency falls into Group 1, so must prepare final financial statements and a final comprehensive annual report.

### *Example 2*

A GSF agency is abolished on 1 August 2024. At the date it was abolished, it had assets of \$100m and liabilities of \$60m. During the period between 1 July 2024 and 1 August 2024, its expenses totalled \$4m and revenue totalled \$4m.

Because the GSF agency had assets and liabilities of more than \$5m it does not meet the criteria to fall into Group 3. Because its assets, liabilities, revenues and expenses are less than the thresholds for Group 1, it does not meet the criteria to be in Group 1. As a result, the GSF agency is in Group 2 so must prepare final financial statements and a final Annual Information Statement.

The proposed criteria for determining which group the agency falls into aims to achieve the right balance between the costs of transparency and the benefits of transparency. The above approach is the proposed because the costs of preparing audited financial statements and annual reporting

information remains the same regardless of how much of the reporting period the agency existed for. As such, Treasury proposes that the thresholds proposed in section 3 are also appropriate for former reporting GSF agencies.

This approach is consistent with the differential reporting regime for companies under the *Commonwealth Corporations Act 2001*, administered by the Australian Securities Investments Commission (ASIC).

NSW Treasury considered two possible alternate approaches:

1. Require each former reporting GSF agency to self-assess which group it falls into based on financial data from the prior financial year.

The benefit of this approach is that the GSF agency would be placed in the group that matched the nature and size of the GSF agency while it was operating, and the information in the final financial statements and final annual reporting information would be comparable to recent reporting of the agency. The disadvantage of this approach is that the assets, liabilities, expenses and revenues in an agencies final year of existence are likely to be smaller than previous years because its operations have been wound up. The cost of preparing final annual reporting information for that period could outweigh the benefits of preparing that information.

2. Require each former reporting GSF agency to self-assess against a proportion of the relevant monetary criteria based on the proportion of the year that an agency was a former reporting GSF agency. For example, a former reporting GSF agency abolished half-way through a financial year would determine whether it falls into Group 1 by halving the relevant quantitative thresholds for assets, liabilities, expenses, and revenue.

The benefit of this approach involves the appearance of “right-sizing” the thresholds for the circumstances of the agency. However, the costs of preparing financial and annual reports does not changed based on the portion of the reporting period the agency has existed. This approach could result in agencies with very low expenses and revenues being subject to disproportionate reporting requirements.

### 8.4.3 Machinery of Government restructures

From time to time, the Government restructures Government agencies through Administrative Arrangements Orders, commonly referred to as ‘Machinery of Government’ or MOG restructures. Where a former agency is abolished by a MOG restructure, that agency will meet the definition of ‘former reporting GSF agency’ in the year that it is abolished.

Treasury proposes to exempt agencies abolished by a MOG restructure from the requirement to prepare final financial statements and final annual reporting information if the agency or agencies that assumed the abolished agency’s activities (called transferee agencies) make the disclosures required by [TPP21-08 Contributions by owners made to wholly-owned public sector entities \(nsw.gov.au\)](#).

#### MOG reporting by transferee agencies in Group 1 or Group 2

- If the abolished agency meets the criteria to be in Group 1 or Group 2 for the financial year in which it was abolished, then the transferee agency must include the financial statements disclosures and annual reporting disclosures required by TPP21-08 as part of the transferee’s comprehensive annual report or Annual Information Statement.
- If the abolished agency meets the criteria to be in Group 3 for the financial year in which it was abolished, then the transferee agency would be required to include only the annual reporting information required by TPP21-08

#### MOG reporting by transferee agencies in Group 3

- Group 3 transferee agencies are not required to produce financial statements or annual reporting information. Accordingly, Group 3 transferee agencies are not required to comply with TPP 21-08 financial statements disclosure requirements.



- However, Group 3 transferee agencies will be required to provide information about the MOG restructures in their annual financial information returns to Treasury.

### Requirements in Machinery of Government Changes Guide

As required by the [Machinery of Government Changes Guide \(nsw.gov.au\)](https://www.nsw.gov.au/machinery-of-government-changes-guide) (the Guide), the accountable authority responsible for a transferee agency that assumed the abolished agency's activities must consider how reasonable it will be to report on the benefits and costs of the MOG restructure in accordance with Chapter 11 of the Guide. This reporting requirement only arises where the transferee agency has a responsibility to prepare annual reporting information, that is transferee agencies that are in Group 1 or Group 2.

### 8.4.4 Treasurer's power to exempt from or modify requirements

The GSF Act empowers the Treasurer to exempt a former reporting GSF agency from these requirements or to modify these requirements in particular cases. The new framework will reference this power, so that the Treasurer and the Treasurer's delegates can modify the proposed requirements for the circumstances of particular agencies if that is required. For example, the Treasurer could decide, in the interest of transparency, that a former reporting GSF agency sold to Private Sector owners should prepare final financial statements and annual reporting information based on the Group 1 requirements, even though applying the standard criteria would result in that agency falling into Group 2.

8	Questions: Former reporting GSF agencies and final financial and annual reports
i.	<p>Before the Treasurer grants any exemptions from the requirements to prepare final financial statements, or final annual reporting information the Treasurer must first 'have regard to' the prescribed reporting exemption criteria for former reporting GSF agencies. The prescribed exemption criteria serve as a set of principles to guide the Treasurer's decisions.</p> <p>Do you agree with Treasury's suggestion to prescribe the same reporting exemption criteria for 'former reporting GSF agencies' that already apply to 'reporting GSF agencies'? Should any additional criteria be prescribed? Do any of the existing criteria do not apply to former reporting GSF Agencies?</p>
ii.	<p>What feedback do you have about the proposal to apply the same differential reporting framework for former reporting GSF agencies as apply for 'reporting GSF agencies'?</p>
iii.	<p>What feedback do you have on the proposal to apply the same quantitative thresholds, without adjustments, to former reporting GSF Agencies that have not been in operation for the whole of a reporting period?</p>
iv.	<p>Do you agree with the proposed exemption for MOG restructures?</p> <p>Should agencies abolished by MOG restructure part way through a reporting period and agencies abolished at the end of a reporting period all be exempt from preparing final financial reporting and annual reporting? Why?</p>
v.	<p>Are there other reasons for which a former reporting GSF agency should be exempt from the requirements to prepare final financial reports and/or annual reporting information?</p>

# 9 General matters

Stakeholders are invited to provide general feedback on financial reporting and annual reporting.

9	Questions: General matters
i.	If you could change one thing about annual reporting what would it be?
ii.	What other support or guidance should Treasury provide to help you comply with annual reporting requirements?
iii.	Is there anything else we could do to the current requirements that could improve the annual reporting requirements for agencies and readers of annual reporting information?

# Definitions/Glossary

Term	Definition
Agency	References to agency/agencies in the document refer to GSF agency/GSF agencies.
Annual Information Statement	A short form annual report that would provide some form of information about the agency, its purpose, and activities to accompany the financial statements. It would include essential agency updates and performance highlights providing readers with any crucial information about the agency.
Annual Financial Information Return	A simplified financial information return to be submitted to Treasury annually. This will allow Treasury to understand the agency's financial position and be assured that agencies are keeping proper records.
Annual reporting GSF agency	A subset of reporting GSF agencies which are required to prepare annual reports, and are currently defined by a list of agency names prescribed in Schedule 2 to the GSF Regulation.
Annual reporting information	The annual reporting information for a reporting GSF agency includes information about the GSF agency's activities during an annual reporting period for the agency and as provided in the GSF Regulation and the Treasurer's directions (section 7.11 of the GSF Act).  This includes the annual financial statements and the audit report.
Annual reporting period	The annual reporting period for a GSF agency is – (a) the period of 12 months commencing on 1 July in any year, or (b) if a different period is specified as the agency's financial year by its constituent Act – that specified period.  This is subject to any determination of the Treasurer under section 2.10 of GSF Act.
Comprehensive Annual Report	An annual report in accordance with TPG 23-10 Annual Reporting Requirements.
Control	Has the same meaning as in <i>AASB 10 Consolidated Financial Statements</i> , that is an entity has control over another when the entity is exposed, or has rights, to variable returns from its involvement with the other entity and has the ability to affect those returns through its power over the other entity.
Differential Reporting Framework	Where GSF agencies will be in one of three groups and that grouping will determine the GSF agency's financial and annual reporting requirements.

Term	Definition
GSF agency	<p>The <i>Government Sector Finance Act 2018</i> expressly names some entities as GSF agencies and describes kinds of entities that are also considered GSF agencies. To determine whether your entity is a GSF agency you need to consider the definition of a GSF agency in section 2.4 of the GSF Act, related concepts and the regulations (See Appendix A).</p> <p>Treasury provides a GSF Agency List Guide on their website.</p>
Non-reporting GSF agency	A GSF agency of a kind prescribed by the GSF Regulation not to be a reporting GSF agency (See Appendix A).
Parent entity	Has the same meaning as in <u><i>AASB 10 Consolidated Financial Statements</i></u> , that is, an entity that controls one or more entities.
Provisional Annual Financial Information Return	For FY2023-24, the first financial information return will be provisional to allow Treasury and agencies the opportunity to work out the appropriate reporting format and evidence base to support the financial information return.
Reporting GSF agency	Any GSF agency, other than a non-reporting GSF agency.
Subsidiary	Has the same meaning as in <u><i>AASB 10 Consolidated Financial Statements</i></u> , that is, an entity that is controlled by another entity.
Treasury	NSW Treasury

## Appendix A: Legislative provisions

### GSF agencies

#### GSF Act Section 2.4

- (1) Each of the following is a GSF agency –
- (a) a separate GSF agency,
  - (b) a NSW Health entity,
  - (c) the NSW Police Force,
  - (d) the New South Wales Treasury Corporation,
  - (e) the Law Enforcement Conduct Commission,
  - (f) the Independent Pricing and Regulatory Tribunal,
  - (g) a Council within the meaning of Part 5A of the Health Practitioner Regulation National Law (NSW),
  - (h) a State owned corporation,
  - (i) 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),
  - (j) an entity with money held in an SDA account (but the account itself is not to be treated as being a GSF agency),
  - (k) any Public Service agency not already covered by a previous paragraph,
  - (l) any other entity (or entity of a kind) prescribed by the regulations as a GSF agency.
- (2) Each of the following entities (except if they are individuals) is also a GSF agency if it is not already an entity of a kind referred to in subsection (1) –
- (a) an entity that is a controlled entity of another entity (or a combination of other entities) referred in subsection (1),
  - (b) an entity that is a controlled entity of a Minister or a combination of Ministers.
- (3) To avoid doubt, an entity that is a joint venture is not a GSF agency unless it is prescribed by the regulations for the purposes of subsection (1) (l) to be a GSF agency.
- (4) However, a GSF agency does not include –
- (a) the Legislature of New South Wales, or
  - (b) a Minister (except to the extent to which the GSF Act Part 6 provides for a Minister to be treated as a GSF agency), or
  - (c) the Workers Compensation Insurance Fund, or
  - (d) the Workers Compensation Nominal Insurer.
- (5) Despite subsections (1) and (2), the regulations may declare that a specified entity (or specified part of an entity) is, or is not, to be treated as a GSF agency that is distinct from another specified GSF agency for the purposes of Part 6 of the GSF Act.

## Financial Reporting Exemptions

### GSF Regulation Division 2

The purpose of this Division is to prescribe certain kinds of GSF agencies not to be a reporting GSF agency for the purposes of the GSF Act, section 7.3(2).

#### Clause 9D Small agencies

A GSF agency meeting all of the following requirements is prescribed —

- (a) the assets, liabilities, income, expenses, commitments and contingent liabilities of the agency are each less than \$5,000,000,
- (b) the total cash or cash equivalents held by the agency is less than \$2,500,000,
- (c) at least 95% of the agency's income is derived from money paid out of the Consolidated Fund or money provided by other GSF agencies,
- (d) the agency does not administer legislation for a Minister by or under which members of the public are regulated.

#### Clause 9E Crown land managers

(1) A GSF agency meeting all of the following requirements is prescribed —

- (a) the agency is a Crown land manager,
- (b) the requirements referred to in clause 9D(a), (b) and (d),
- (c) the income of the agency, derived from sources other than money paid out of the Consolidated Fund, money paid out of the Crown Reserves Improvement Fund or money provided by other GSF agencies, is less than \$100,000.

(2) In this clause —

Crown Reserves Improvement Fund means the Crown Reserves Improvement Fund established under the Crown Land Management Act 2016, Division 12.5.

#### Clause 9EA Common trusts

(1) A GSF agency meeting all of the following requirements is prescribed —

- (a) the agency is a common trust,
- (b) the requirements referred to in clause 9D(a), (b) and (d),
- (c) the income of the agency, derived from sources other than money paid out of the Consolidated Fund or money provided by other GSF agencies, is less than \$100,000.

#### Clause 9F Special purpose staff agencies

A GSF agency that comprises solely of persons who are employed to enable another particular GSF agency to exercise its functions is prescribed.

#### Clause 9G Retained State interests

A GSF agency meeting all of the following requirements is prescribed —

- (a) the sole purpose of the agency (the first agency) is to hold and manage retained State interests arising from a particular relevant transaction, and all of its activities relate to that purpose,
- (b) the first agency's financial position and financial performance are consolidated within the financial statements of another GSF agency (the second agency),
- (c) the first agency and the second agency each has the same accountable authority,
- (d) if there is another GSF agency that is also a controlled entity of the second agency, the first agency and the controlled entity have the same sole purpose.

## Transitional reporting agencies in the GSF Regulation 2018 Schedule 2 Part 1 Statutory bodies

<p>Aboriginal and Torres Strait Islander Health Practice Council</p> <p>Aboriginal Housing Office</p> <p>Agricultural industry services committee constituted by the Agricultural Industry Services Act 1998</p> <p>Art Gallery of New South Wales Trust</p> <p>Audit Office of New South Wales</p> <p>Australian Museum Trust</p> <p>Biodiversity Conservation Trust</p> <p>Board of Surveying and Spatial Information</p> <p>Board of Trustees of the Western Sydney University</p> <p>Border Fence Maintenance Board</p> <p>Building Insurers' Guarantee Corporation</p> <p>Cemeteries and Crematoria NSW</p> <p>Centennial Park and Moore Park Trust</p> <p>Chief Investigator of the Office of Transport Safety Investigations</p> <p>Chinese Medicine Council of New South Wales</p> <p>Chiropractic Council of New South Wales</p> <p>Cobar Water Board</p> <p>A corporation constituted by the Electricity Retained Interest Corporations Act 2015</p> <p>A corporation constituted by the Growth Centres (Development Corporations) Act 1974</p> <p>Council of the Charles Sturt University</p> <p>Council of the Macquarie University</p> <p>Council of the Southern Cross University</p> <p>Council of the University of New England</p> <p>Council of the University of New South Wales</p> <p>Council of the University of Newcastle</p> <p>Council of the University of Technology Sydney</p> <p>Council of the University of Wollongong</p> <p>Dams Safety NSW</p> <p>Dental Council of New South Wales</p> <p>Destination NSW</p> <p>Energy Corporation of NSW</p> <p>Environment Protection Authority</p> <p>Environmental Trust</p> <p>Essential Energy</p> <p>Forestry Corporation of NSW</p> <p>Greater Sydney Parklands Trust</p> <p>Health Care Complaints Commission</p> <p>Heritage Council of New South Wales</p>	<p>Hunter Water Corporation</p> <p>Independent Liquor and Gaming Authority</p> <p>Independent Pricing and Regulatory Tribunal</p> <p>Independent Review Officer</p> <p>Infrastructure NSW</p> <p>Insurance and Care NSW</p> <p>Jenolan Caves Reserve Trust</p> <p>Landcom</p> <p>Legal Aid Commission of New South Wales</p> <p>Legal Profession Admission Board constituted under the Legal Profession Uniform Law Application Act 2014</p> <p>Liability Management Ministerial Corporation</p> <p>Library Council of New South Wales</p> <p>Lifetime Care and Support Authority of New South Wales</p> <p>Local Land Services</p> <p>Long Service Corporation</p> <p>Lord Howe Island Board</p> <p>Luna Park Reserve Trust</p> <p>Medical Council of New South Wales</p> <p>Medical Radiation Practice Council of New South Wales</p> <p>Mental Health Commission</p> <p>Multicultural NSW</p> <p>Museums of History NSW</p> <p>Natural Resources Commission</p> <p>New South Wales Electoral Commission</p> <p>New South Wales Government Telecommunications Authority</p> <p>New South Wales Institute of Sport</p> <p>New South Wales Land and Housing Corporation</p> <p>New South Wales Rural Assistance Authority</p> <p>New South Wales Treasury Corporation</p> <p>NSW Architects Registration Board</p> <p>NSW Education Standards Authority</p> <p>NSW Food Authority</p> <p>NSW Independent Casino Commission</p> <p>NSW Self Insurance Corporation</p> <p>NSW Skills Board</p> <p>NSW Trains</p> <p>NSW Trustee and Guardian</p> <p>Nursing and Midwifery Council of New South Wales</p> <p>Occupational Therapy Council of New South Wales</p> <p>Optometry Council of New South Wales</p> <p>Osteopathy Council of New South Wales</p>	<p>Physiotherapy Council of New South Wales</p> <p>Place Management NSW</p> <p>Podiatry Council of New South Wales</p> <p>Port Authority of NSW</p> <p>Property NSW</p> <p>Psychology Council of New South Wales</p> <p>Rental Bond Board</p> <p>Rice Marketing Board constituted under the Rice Marketing Act 1983</p> <p>Royal Botanic Gardens and Domain Trust</p> <p>SAS Trustee Corporation</p> <p>Senate of the University of Sydney</p> <p>Sporting Injuries Compensation Authority</p> <p>State Insurance Regulatory Authority</p> <p>State Records Authority NSW</p> <p>State Sporting Venues Authority</p> <p>State Transit Authority of New South Wales</p> <p>Statutory Trustees or a Statutory Trustee of a Fund within the meaning of the Technical Education Trust Funds Act 1967</p> <p>Sydney Ferries</p> <p>Sydney Metro</p> <p>Sydney Olympic Park Authority</p> <p>Sydney Opera House Trust</p> <p>Sydney Trains</p> <p>Sydney Water Corporation</p> <p>Teacher Housing Authority of New South Wales</p> <p>Technical and Further Education Commission</p> <p>Transport Asset Holding Entity of New South Wales</p> <p>Transport for NSW</p> <p>The Trustees of the Anzac Memorial Building</p> <p>The Trustees of the Museum of Applied Arts and Sciences</p> <p>The Trustees of the Parliamentary Contributory Superannuation Fund</p> <p>Venues NSW</p> <p>Veterinary Practitioners Board</p> <p>Waste Assets Management Corporation</p> <p>Water NSW</p> <p>Wentworth Park Sporting Complex Land Manager constituted under the Crown Land Management Act 2016</p> <p>Western Parkland City Authority</p> <p>Western Sydney Parklands Trust</p> <p>Workers Compensation (Dust Diseases) Authority</p> <p>Zoological Parks Board of New South Wales</p>
--	--	---

## Transitional reporting agencies

### GSF Regulation 2018 Schedule 2 Part 2 Departments and other agencies

Office of the Ageing and Disability Commissioner  
Office of the Children's Guardian  
Department of Communities and Justice  
Crown Solicitor's Office  
Department of Customer Service  
Office of the Director of Public Prosecutions  
Dumaresq-Barwon Border Rivers Commission  
Department of Education  
Department of Enterprise, Investment and Trade  
Fire and Rescue NSW  
Greyhound Welfare and Integrity Commission  
Ministry of Health  
Independent Commission Against Corruption  
Office of the Independent Planning Commission  
Information and Privacy Commission  
Judicial Commission  
Law Enforcement Conduct Commission  
New South Wales Crime Commission  
NSW Police Force  
NSW Reconstruction Authority  
Office of the NSW Rural Fire Service  
Office of the NSW State Emergency Service  
Ombudsman's Office  
Parliamentary Counsel's Office  
Department of Planning and Environment  
Department of Premier and Cabinet  
Public Service Commission  
Department of Regional NSW  
Service NSW  
Office of Sport  
Department of Transport  
Treasury



## Appendix B: Group 3 small agencies self-assessment and FIR template

### Small Agency – Exemption criteria self-assessment template and annual Financial Information Return (FIR) template

<b>Name of Portfolio:</b>	Please type name of Portfolio in this square
<b>Information confirmed by Portfolio CFO:</b>	Please type name of Portfolio CFO in this square
<b>Email address of Portfolio CFO:</b>	Please type email address of Portfolio CFO in this square
<b>Telephone number of Portfolio CFO:</b>	Please type telephone number of Portfolio CFO in this square

Small Agency	GSF Reg clause 9D(a)						Clause 9D(b)	Clause 9D(c)	Clause 9D(d)	Control questions		Required Evidence
	Total assets <\$5m 30 Jun 24	Total liabilities <\$5m 30 June 2024	Total income <\$5m 2023-24	Total expenses <\$5m 2023-24	Total commitments <\$5m 30 June 2024	Total contingent liabilities <\$5m 30 June 2024	Total cash/cash equivalents <\$2.5m 30 June 2024	At least 95% of 2023-24 income from Consolidated Fund or GSF agencies?	Does the agency administer legislation?	Controlled by a GSF agency?	If controlled - by which GSF agency (or NA of not controlled)	General ledger extract or trial balance
	\$	\$	\$	\$	\$	\$	Y/N/NA	Y/N	Y/N			
Example Agency 1	3,500,000	88,123	2,131,451	2,022,321	0	0	99,999	Y	N	Y	Department of Examples	General ledger extract attached or trial balance
Example– Agency 2	0	0	0	0	0	0	0	NA	N	N	NA	NA - No transactions since establishment

This table shows examples of the types of information that Group 3 agencies may need to support their annual self-assessment and the preparation of the Financial Information Return. While the supporting information would not be required to be submitted to Treasury, Treasury and/or the Audit Office may request such information if needed.

Table 10 Example of supporting information for FIS

Financial Information	Description	Evidence Based Documents
<b>Assets</b>	<p>Nature and conditions of the assets: property, land, buildings, plant and equipment (not owned by Principal Department) –</p> <ul style="list-style-type: none"> <li>Valuation of the assets completed by recognised valuer and period</li> <li>Sale or purchase of assets</li> <li>Cash or Cash Equivalent</li> </ul>	<ul style="list-style-type: none"> <li>Valuation certificate of each category of the assets</li> <li>Cash or cash equivalent – general ledger accounts statements</li> <li>Trial balance from general ledger</li> <li>Bank statements</li> </ul>
<b>Liabilities</b>	<p>Nature of liabilities:</p> <ul style="list-style-type: none"> <li>Long term debt agreement</li> <li>Employee Leave entitlements</li> <li>Employee superannuation entitlements</li> </ul>	<ul style="list-style-type: none"> <li>Trial balance from general ledger</li> <li>Contracts for long term debt repayment</li> <li>Bank statements</li> </ul>
<b>Income</b>	<ul style="list-style-type: none"> <li>Revenue from public</li> <li>Revenue from internal and external stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Trial balance or</li> <li>Cash flow statement or</li> <li>General ledger revenue statements</li> <li>Bank statements</li> </ul>
<b>Expenses</b>	<p>Nature of expenses:</p> <ul style="list-style-type: none"> <li>Operational and administration</li> <li>Project Expenses</li> </ul>	<ul style="list-style-type: none"> <li>Trial balance or cash flow statement or general ledger statements</li> <li>Account Payable statements or purchase order statements</li> <li>Invoices, receipts and customer accounts</li> </ul>
<b>Commitments and Contingent Liabilities</b>	<ul style="list-style-type: none"> <li>Non-cancellable contract to purchase.</li> <li>Operating lease payments on property</li> <li>Changes in the Act or government policies</li> <li>Pending investigations and lawsuits</li> <li>Free services to the community</li> </ul>	<p>Contracts or purchase orders statements or invoices</p>

## Appendix C: 2022-23 small agencies exempt, by Portfolio

Table 11: 2022-23 Exempted from financial reporting under the small agency criteria as reported in 2023 Portfolio Financial Audit Reports released by the Audit Office of NSW

Portfolio	No.	Name of Exempted agencies
Customer Service	0	Nil
Education	1	NSW Childcare and Economic Opportunity Fund Board
Enterprise, Investment and Trade	3	General Incorporated Association NSW Government
		NSW Government US Office Inc
		The Australian Institute of Asian Culture and Visual Arts Limited
Planning and Environment	6	Central Coast Water Corporation
		Gaagal Wanggaan (South Beach) Board of Management
		Hunter Water Ministerial Corporation
		Ministerial Development Corporation
		National Parks and Wildlife Conservation Trust of New South Wales
		Bulagaranda (Mt Yarrowyck) Board of Management
Regional NSW	13	Fisheries Administration Ministerial Corporation
		Local Land Services' Local Boards (11): Central Tablelands, Central West, Greater Sydney, Hunter, Murray, North Coast, Northern Tablelands, North West, Riverina, South East, Western
		Soil Conservation Commission
Health	1	Albury Wodonga Health Employment Division
Premier and Cabinet	1	Office of the Inspector of Law Enforcement Conduct Commission
Stronger Communities	1	Bush Fire Coordinating Committee
Transport	3	Greater Sydney Parklands Trust
		Residual Transport Corporation of New South Wales
		State Transit Authority of New South Wales
Treasury	8	Buroba Pty Ltd
		Valley Commerce Pty Ltd
		Ministerial Holding Corporation
		State Rail Authority Residual Holding Corporation
		Port Asset Ministerial Holding Corporation
		Port Botany Lessor Pty Ltd
		Port Kembla Lessor Pty Ltd
Port of Newcastle Lessor Pty Ltd		
<b>TOTAL</b>	<b>37</b>	<b>2022-23 small agencies</b>

Source: Reports | Audit Office of New South Wales ([nsw.gov.au](https://www.nsw.gov.au))

**Small agencies:** The department self-assessed these agencies against the criteria and concluded that they have met all the requirements.

**Portfolios:** Agency inclusion in portfolios is as at the 2022-23 financial reporting.

---

## Appendix D: Compliance Appendix and Index - research and samples

This section provides a summary of the research considered when developing the proposals in section 5.3 and 5.3.1 and provides a proposed sample for reporting compliance obligations at Tables 12 and 13.

### Compliance Index in the Appendix

When developing the idea for a compliance index and appendix, Treasury examined other state jurisdictions and frameworks which adopt a similar approach. Initially we considered including the compliance index in the initial pages of the annual report, however upon comparison with other frameworks, we found that other jurisdictions place the index in the appendix of the annual report.

We are looking to adopt a similar approach in New South Wales, where agencies would annex the compliance information to a section of the appendix. The compliance appendix would include a compliance index on the first page, followed by the compliance information. This change would benefit the audience and increase transparency for the reader and assist agencies preparing the reports as they may be able to more efficiently disclose the compliance information required in the annual report.

### Learnings from Australian Capital Territory (ACT) Annual Reporting

ACT legislation requires annual reporting agencies to complete a Compliance Statement/Compliance Index as an Appendix to the Annual report. The compliance checklist guides users to the section or page where the compliance obligation has been met throughout the agency's annual report. The ACT's compliance statement is broken down to 5 categories:

- Part 1 Directions Overview
- Part 2 Reporting entity Annual Report Requirements
- Part 3 Reporting by Exception
- Part 4 Directorate and Public Sector Body Specific Annual Report Requirements
- Part 5 Whole of Government Annual Reporting

Figure 3: ACT Compliance Appendix

## Compliance Statement

The CHS Annual Report must comply with the Annual Reports (Government Agencies) Directions 2023 (the Directions) made under section 8 of the *Annual Reports (Government Agencies) Act 2004*. The Directions are at the ACT Legislation Register: [legislation.act.gov.au](https://legislation.act.gov.au)

The Compliance Statement indicates the subsections, under parts 1 to 5 of the Directions, that apply to CHS and the location of information that satisfies these requirements.

### Part 1 | Directions overview

The requirements under Part 1 of the Directions relate to the purpose, timing and distribution, and records keeping of annual reports. The CHS Annual Report 2022–23 complies with all subsections of Part 1 under the Directions.

To meet Section 15 Feedback, Part 1 of the Directions, the CHS Annual Report 2022–23 includes contact details for CHS to provide readers the opportunity to provide feedback.

### Part 2 | Reporting entity annual report requirements

The requirements within Part 2 of the Directions are mandatory for all reporting entities and CHS complies with all subsections. The information that satisfies the requirements of Part 2 is in the CHS Annual Report 2022–23 as follows:

- Part A—Transmittal Certificates, see pages 8-9
- Part B—Organisational Overview and Performance, inclusive of all subsections, see pages 10-75
- Part C—Financial Management Reporting, inclusive of all subsections, see pages 76-174.

### Part 3 | Reporting by exception

CHS has nil information to report by exception under Part 3 of the Directions for 2022–23 reporting.

### Part 4 | Directorate and Public Sector Body specific

No subsections of Part 4 of the Directions apply to CHS.

### Part 5 | Whole of Government annual reporting

All subsections of Part 5 of the Directions apply to CHS. Consistent with the Directions, the reported information satisfying these requirements is in one place for all ACTPS Directorates, as follows:

- Bushfire Risk Management—see the annual report of the Justice and Community Safety Directorate.
- Human Rights—see the annual report of the Justice and Community Safety Directorate.
- Legal Services Directions—see the annual report of the Justice and Community Safety Directorate.
- Public Sector Standards and Workforce Profile—see the annual State of the Service Report.

## Learnings from Queensland Annual Reporting

Similarly, QLD legislation requires annual reporting agencies to include a compliance checklist as part of their annual report (generally included in the appendix). The QLD annual reporting requirements guide for agencies, notes that the checklist provides references to the relevant sections of the annual report where each disclosure requirement has been addressed.

## Proposed inclusions for Compliance Appendix and Index

The Compliance Appendix would include all compliance obligations for the agency, and the Compliance Index would provide an easy way to navigate to where those compliance obligations have been met. Treasury proposes that the compliance index for a comprehensive annual report would look something similar to Table 12. We have also included a sample compliance index for the Annual Information Statement in Table 13.

We are also proposing that the compliance index would include a column that notes whether the agency has met each compliance obligation. The suggested responses will mean the following:

- Yes: it is a compliance requirement for the agency, and the agency has complied with the requirement
- No: it is a compliance requirement for the agency, and the agency has not complied with the requirement
- N/A: this is not a compliance requirement for the agency.

Table 12: Sample for Compliance Index for comprehensive annual report

Mandatory Heading	Compliance requirement	Basis for, or source of, requirement	Completed Yes/No/N/A	Page reference
Management and Accountability	• Land Disposal	TPG23-10	Yes	
	• Consultants	TPG23-10	Yes	
	• Internal audit and risk management policy attestation	TPP20-08	Yes	
	• Cyber Security Policy (CSP) attestation	DCS Cyber Security Policy	Yes	
	• Compliance with the Privacy and Personal Information Protection Act 1998 (PIIP Act)	TPG23-10	Yes	
	• Government Information (Public Access) Act 2009 (GIPA Act)	GIPA Act s125(4), (6) GIPAR c8, Sch 2; c13, Sch 3	Yes	
	• Public Interest Disclosures Act 1994 (PID Act)	PID Act Section 31 PIDR Clause 4	Yes	
Sustainability	• Disability Inclusion Action Plans	Disability Inclusion Act 2014	Yes	
	• Modern Slavery Act 2018 reporting	Modern Slavery Act 2018, section 31	Yes	
	• Work Health and Safety	TPG23-10	Yes	
	• Workforce Diversity	PSC Circular 2014-09	Yes	

Mandatory Heading	Compliance requirement	Basis for, or source of, requirement	Completed Yes/No/N/A	Page reference
Climate	<ul style="list-style-type: none"> <li>Climate-related disclosures</li> </ul>	To be confirmed as the policy is being developed separately	N/A	

Table 13: Sample for Compliance Index for AIS

Mandatory Heading	Compliance requirement	Basis for, or source of, requirement	Completed	Page reference
Management and Accountability	<ul style="list-style-type: none"> <li>Land Disposal</li> </ul>	TPG23-10	N/A	
	<ul style="list-style-type: none"> <li>Consultants</li> </ul>	TPG23-10	N/A	
	<ul style="list-style-type: none"> <li>Internal audit and risk management policy attestation</li> </ul>	TPP20-08	Yes	
	<ul style="list-style-type: none"> <li>Cyber Security Policy (CSP) attestation</li> </ul>	DCS Cyber Security Policy	Yes	
	<ul style="list-style-type: none"> <li>Compliance with the Privacy and Personal Information Protection Act 1998 (PIIP Act)</li> </ul>	TPG23-10	Yes	
	<ul style="list-style-type: none"> <li>Government Information (Public Access) Act 2009 (GIPA Act)</li> </ul>	GIPA Act s125(4), (6) GIPAR c8, Sch 2; c13, Sch 3	Yes	
	<ul style="list-style-type: none"> <li>Public Interest Disclosures Act 1994 (PID Act)</li> </ul>	PID Act Section 31 PIDR Clause 4	Yes	
Sustainability	<ul style="list-style-type: none"> <li>Disability Inclusion Action Plans</li> </ul>	Disability Inclusion Act 2014	Yes	
	<ul style="list-style-type: none"> <li>Modern Slavery Act 2018 reporting</li> </ul>	Modern Slavery Act 2018, section 31	Yes	
	<ul style="list-style-type: none"> <li>Work Health and Safety</li> </ul>	TPG23-10	Yes	
	<ul style="list-style-type: none"> <li>Workforce Diversity</li> </ul>	PSC Circular 2014-09	Yes	
Climate	<ul style="list-style-type: none"> <li>Climate-related disclosures</li> </ul>	To be confirmed as the policy is being developed separately	N/A	

## Appendix E: Research – annual reports

Table 14: Key findings from other reporting frameworks

<p><b>Corporations Act 2001 (Cth)</b></p>	<p>Proprietary companies:</p> <ul style="list-style-type: none"> <li>• Small proprietary companies in most cases do not report.</li> <li>• Large proprietary companies must lodge a financial report and director’s report each financial year, and have their accounts audited.</li> </ul> <p>Public companies:</p> <ul style="list-style-type: none"> <li>• Non-disclosing entity: majority of non-disclosing entities are not required to prepare annual financial reports.</li> <li>• Small company limited by guarantee: if directed by a member of the company or ASIC, must prepare financial report and director’s report, which are audited or reviewed.</li> <li>• Company limited by guarantee with revenue &lt; \$1 million: must prepare financial report and director’s report, which are audited or reviewed.</li> <li>• Company limited by guarantee with revenue &gt; \$1 million: must prepare financial report and director’s report, which are audited.</li> </ul>
<p><b>Australian Charities Not-for-profits Commission (ACNC)</b></p>	<p>Annual Information Statement (AIS):</p> <p>All charities are required to submit an AIS to the ACNC every year. The AIS includes the following information:</p> <ul style="list-style-type: none"> <li>• Charity Size</li> <li>• Charity projects and programs</li> <li>• Financial Documents</li> </ul> <p>Annual financial report:</p> <ul style="list-style-type: none"> <li>• Small charities may choose to submit a financial statement. The type of financial statement can be the same as a medium or large charity.</li> <li>• Medium charities must submit financial reports which have been reviewed or audited.</li> <li>• Large charities must submit audited financial reports.</li> </ul>
<p><b>New Zealand XRB</b></p>	<p>For-profit entities:</p> <ul style="list-style-type: none"> <li>• Tier 1: must apply all requirements in the accounting standards and authoritative notices prescribed.</li> <li>• Tier 2: have the same recognition and measurement requirements as Tier 1 but with disclosure concessions.</li> </ul> <p>Public benefit entities:</p> <ul style="list-style-type: none"> <li>• Tier 1: must apply all the requirements in the accounting standards and authoritative notices prescribed.</li> <li>• Tier 2: have the same recognition and measurement requirements as Tier 1 but with disclosure concessions.</li> <li>• Tier 3: requirements are based on a simple format approach.</li> <li>• Tier 4: also adopt a simple format reporting approach, but further simplified than the Tier 3 requirements.</li> </ul>



<b>Victoria</b>	<p>The Department of Treasury and Finance Victoria (DTF) is proposing to introduce a tiered approach for Victorian government entities financial reports from FY2024-25. The approach proposes an objective classification between two tiers (Tier 1 and Tier 2). Currently all Victorian public sector entities prepare the full Tier 1 financial reports.</p> <p>Tier 2 eligibility criteria would be determined based on a principle-based criteria reflecting entity size and risk considerations:</p> <p>A government entity would be in Tier 1 if:</p> <ol style="list-style-type: none"> <li>a) the entity is a Government Department or Public Financial Corporation;</li> <li>b) the entity's total expenses are greater than \$1 billion for each of the two preceding financial years;</li> <li>c) the entity's total assets are greater than \$4 billion for each of the two preceding financial years; or</li> <li>d) the entity is deemed to be a significant entity by the DTF Deputy Secretary - Budget and Finance based on qualitative considerations.</li> </ol> <p>Entities that meet the criteria will continue preparing Tier 1 financial reports. Entities that do not meet the criteria, will prepare simplified Tier 2 financial reports, which reduce the level of disclosures required in their financial reports.</p>
-----------------	---

## Australian Charities Not-for-profits Commission

The Australian Charities Not-for-profits Commission (ACNC) classifies charities based on three size categories.

For reporting periods starting from the 2022 Annual Information Statement, charity sizes are:

- **Small charities** are those with annual revenue under \$500,000.
- **Medium charities** are those with annual revenue of \$500,000 or more, but under \$3 million.
- **Large charities** are those with annual revenue of \$3 million or more.

The extent of the reporting obligation is dependent on its size.

### Annual Information Statement

All Charities, – except those registered with Office of the Registrar of Indigenous Corporations (ORIC) - are required to submit an Annual Information Statement (AIS) to the ACNC every year. They complete this via the ACNC's Charity Portal. The AIS includes the following information:

- charity size
- charity projects and programs
- financial documents

### Annual Financial Report

Many charities must also submit financial reports to meet their legislative requirements under the ACNC Act. While not a requirement, small charities can choose to submit an annual financial statement, however medium and large charities are required to prepare annual financial statements.

A charity's financial statements must either be in the form of a General Purpose Financial Statement (GPFS) or Special Purpose Financial Statements (SPFS). The type of statement a charity must prepare will be dependent on whether it is classed as a reporting entity.

Additionally, Large charities must have their annual financial report audited. Medium charities can have their financial report either audited or reviewed. Small charities do not have an audit or review obligation.

The table below summarises the ACNC requirements.

Table 15: ACNC requirements

	Small	Medium	Large
Annual Information Statement	Required	Required	Required
Annual financial report	Optional	Required <sup>1</sup>	Required <sup>1</sup>
Basis of accounting	Cash or accrual	Accrual <sup>1</sup>	Accrual <sup>1</sup>
Type of financial statement <sup>2</sup>	Small charities can choose to submit a financial statement. The type of financial statement can be the same as a medium or large charity	Special purpose financial statement (if not a “reporting entity”) or General Purpose Financial Statement – Reduced/Simplified Disclosure Requirements (Tier 2) or General Purpose Financial Statement – Full (Tier 1)	
Review or audit for annual financial report	No ACNC obligation for review or audit	The ACNC requires your financial reports to be either reviewed or audited <sup>2</sup>	The ACNC requires your financial reports to be audited

<sup>1</sup> Unless the charity is a Basic Religious Charity or other transitional reporting arrangements apply.

<sup>2</sup> A charity's governing document or grant funding agreements may state whether its financial report needs to be reviewed or audited.

## Corporations Act

Financial reporting for companies, registered schemes and disclosing entities in Australia is governed by the *Corporations Act 2001* (Corporations Act). ASIC regulates compliance with the financial reporting and auditing requirements for these entities and provides relief from those requirements in certain circumstances. Section 292 of the *Corporations Act 2001* (Corporations Act) requires some entities to prepare financial reports and directors' reports.

### Proprietary companies

Proprietary companies are categorised as either ‘small’ or ‘large’. Large proprietary companies must prepare and lodge a financial report and a director’s report for each financial year and must have their accounts audited.

A proprietary company is defined as large if it satisfies at least two of the following criteria:

- the consolidated revenue for the financial year of the company and any entities it controls is \$50 million or more
- the value of the consolidated gross assets at the end of the financial year of the company and any entities it controls is \$25 million or more
- the company and any entities it controls have 100 or more employees at the end of the financial year.

If the company does not meet at least 2 of these criteria, then it is small and, in most circumstances, it does not have to report.

## Public Companies

The financial reporting obligations of a public company depend on what type of company it is:

### **Not a disclosing entity or a company limited by guarantee.**

Prepare annual financial reports in accordance with Chapter 2M of the Corporations Act 2001 (Corporations Act). These financial reports must be:

- audited
- lodged with ASIC within four months of financial year end; and
- sent to members by the earlier of four months after year end or 21 days before the next AGM.

### **Not a disclosing entity**

A public company that is not a disclosing entity is not required to comply with Part 2M.3 of the Corporations Act if all conditions of ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 are met.

### **Limited by guarantee**

The financial reporting obligations of a company limited by guarantee are determined by the size of the company for that particular year:

- small company limited by guarantee with annual revenue < \$250,000
- prepare annual financial report and directors' report if directed by a member of a company or ASIC
- prepared in accordance with Chapter 2M
- audited or reviewed.

### **Company limited by guarantee with annual revenue < than \$1 million:**

- prepare annual financial report and directors' report
- prepared in accordance with Chapter 2M
- audited or reviewed.

### **Company limited by guarantee with annual revenue > than \$1 million:**

- prepare annual financial report and directors' report
- prepared in accordance with Chapter 2M
- audited.

## Listed Entities

Additional obligations are prescribed for listed entities, as per the ASX Listing Rules which are enforceable against listed entities and their associates under the Corporations Act.

The Listing Rules require listed entities to prepare annual reports following an entity's end of financial year. The annual report comprises information about a company and, where applicable, entities it controlled during the reporting period. The annual report is a primary document through which companies communicate details of their activities, financial results and strategies to shareholders and other stakeholders. The annual report includes information prescribed by the statutory and regulatory requirements in the Corporations Act and the Listing Rules, such as:

- Director's report
- corporate governance statement
- financial report

- Auditor’s report on the financial and remuneration reports
- entities will often choose to include additional non-compulsory reporting to support good corporate governance.

# Appendix F: Template - Annual Information Statement

Table 16: AIS template

Short Form Annual Report/Annual Information Statement		
<b>Beginning</b>	Letter of submission	<ul style="list-style-type: none"> <li>Stating report submitted to Minister for presentation to Parliament</li> <li>Provisions under which the report has been prepared (i.e. GSF Act Division 7.3 and other applicable legislation (if any))</li> <li>Where reporting deadlines have been missed, length of lateness in submitting report and reasons</li> <li>Where reporting deadlines have been missed and there was no application for extension, reasons for lateness and lack of application</li> <li>Signed by accountable authority</li> </ul>
<b>1. Overview</b>	Aims	<ul style="list-style-type: none"> <li>Purpose of the agency</li> <li>Range of services provided</li> <li>Clientele and community served</li> </ul>
	Charter	<ul style="list-style-type: none"> <li>Manner in which and purpose for which the agency was established</li> <li>Principal legislation administered within the agency</li> </ul>
<b>2. Operations and Strategy</b>	Strategic objectives	<ul style="list-style-type: none"> <li>Key agency strategic objectives including outcomes</li> <li>Current and future strategic plans to accomplish objectives, including outcomes</li> </ul>
	Activities	<ul style="list-style-type: none"> <li>Describe the nature and range of the agency's activities</li> <li>Summary in regard to operations and performance during the year and results.</li> </ul>
<b>3. Management and Accountability</b>	Management and structure	<ul style="list-style-type: none"> <li>Names, offices and qualifications of principal officers</li> <li>Organisation chart indicating functional responsibilities</li> </ul>
	Human resources	<ul style="list-style-type: none"> <li>Number of executives and employees by category &amp; compared to the prior year</li> </ul>
	Risk management	<ul style="list-style-type: none"> <li>Report on the risk management activities affecting the agency</li> </ul>
<b>4. Sustainability</b>	Sustainability	<ul style="list-style-type: none"> <li>Short statement on sustainability matters and strategy (where applicable)</li> <li>Include climate reporting statement (if required)</li> </ul>
<b>5. Financial Performance</b>	Financial Statements	<ul style="list-style-type: none"> <li>Inclusion of Financial Statements</li> <li>Audit Opinion on Financial Statements</li> <li>Response to significant issues raised by Auditor General</li> </ul>

## Appendix G: Combined annual reporting in other jurisdictions

Table 17: Key findings from other jurisdictions

Jurisdiction	Is combined annual reporting permitted?
Australian Capital Territory	Yes. A person responsible for two or more annual reports may combine information into a single report where that information can be 'appropriately combined'.
Commonwealth	No
Northern Territory	No
Queensland	Yes. A Minister responsible for two or more statutory bodies may authorise preparation of a single annual report on those bodies.
South Australia	No
Tasmania	No
Victoria	The Minister can make a determination permitting preparation of a combined annual report for two or more entities. However, Victorian Department of Treasury and Finance staff advised that in practice few combined annual reports have been permitted.
Western Australian	No
New Zealand	New Zealand Treasury staff advised that combined annual reports are permitted in New Zealand. However, to date only small policy and advisory agencies have prepared combined annual reports.

Sydney NSW 2000

GPO Box 5469  
Sydney NSW 2001

W: [treasury.nsw.gov.au](https://treasury.nsw.gov.au)

This publication is protected by copyright. With the exception of (a) any coat of arms, logo, trade mark or other branding; (b) any third party intellectual property; and (c) personal information such as photographs of people, this publication is licensed under the Creative Commons Attribution 3.0 Australia Licence.

The licence terms are available at the Creative Commons website at:  
[creativecommons.org/licenses/by/3.0/au/legalcode](https://creativecommons.org/licenses/by/3.0/au/legalcode)

NSW Treasury requires that it be attributed as creator of the licensed material in the following manner: © State of New South Wales (NSW Treasury), (2023).

