Agency Feedback Paper

# Financial and Annual Reporting Framework – Consultation Paper April 2024

NSW Treasury is proposing a framework to support the legislative requirements for identifying which GSF agencies prepare financial and annual reports. The consultation paper proposes a differential reporting framework whereby GSF agencies will sit in one of three reporting groups.

Consultation paper is available at [Consultation | NSW Treasury](https://www.treasury.nsw.gov.au/projects-research/consultation)

Key areas for your feedback include:

1. Proposed model to determine a GSF agency’s reporting group and the reporting forms for financial reporting and annual information reporting
2. Proposed new forms of reporting for certain GSF agencies – Annual Information Statement and Financial Information Return
3. Changes to consolidated and combined annual reporting requirements
4. Reporting requirements for former GSF agencies.

This Agency Feedback Paper includes the questions in the consultation paper from sections 3 – 8. You are welcome to submit a feedback response in a way that suits you with reference to the sections in the consultation paper or you can use this Agency Feedback Paper.

Feedback is due to [legislation@treasury.nsw.gov.au](file:///C:/Users/COQUISA/AppData/Local/Microsoft/Windows/INetCache/Content.Outlook/BD065J64/legislation@treasury.nsw.gov.au) by 10 May 2024.

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| Agency Feedback Details | |
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3. A holistic reporting framework

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| 3 | Questions: A holistic reporting framework |
|  | For the FY2023-24 (or calendar year 2024), it is proposed to keep the list of agencies in [Schedule 2 to the GSF Regulation](https://legislation.nsw.gov.au/view/html/inforce/current/sl-2018-0685#sch.2). 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). |
|  | 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? |
|  | 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? |
|  | 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? |
|  | 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? |
|  | 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? |
|  | 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.  How much does it cost your agency to prepare separately the financial statements for audit and the annual report?  Any information on the following is useful:   * types of costs this involves e.g. internal staff, external auditing costs * is this just for your agency, or do you prepare annual reports for a several agencies * time taken and resources involved. |
|  | 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? |
|  | Do you have any other comments or feedback? |

4. Grouping self-assessment

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| 4 | Questions: Grouping self-assessment |
|  | 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? |
|  | How could Treasury support the accountable authority undertake an accurate self‑assessment? |
|  | Would you find templates for the self-assessment, such as that at Appendix B for small agencies, useful? |
|  | 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? |
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5. Content and format of annual reporting information

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| 5 | Questions: Content and format of annual reporting information |
|  | 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).   1. Should agencies who do not have to prepare a comprehensive annual report be subject to preparing a short form annual report? 2. Should some agencies be exempt from preparing any forms of a report, including a short form report? If yes, who should be exempt? 3. What should be included in a short form annual report? 4. Would a short form annual report help reduce the time and cost of preparing an annual report? 5. What parts of an annual report take longest and cost most to complete? |
|  | 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).   1. Would a compliance appendix be useful in an annual report for both the agencies and the audience? Would it increase transparency for the audience? 2. Would it assist agencies with fulfilling their obligations for compliance reporting? 3. If implemented, should a compliance appendix be mandatory or optional? |
|  | 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).   1. Would a compliance index be useful in an annual report for both the agencies and the audience? 2. Would there be a cost or unnecessary pressure added to agencies if this was requirement? 3. Would the benefits of this index outweigh any potential cost? 4. Should a compliance index be mandatory or optional? 5. Is it useful to have both a compliance appendix and a compliance index in comprehensive annual reports? |
|  | 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).   1. Should the $50,000 threshold be increased/decreased? 2. Would it be useful for expenditure in consolidated reports to be broken down by subsidiary for better transparency? 3. Should Universities and Trustees continue to be exempt from disclosing consultant expenditure? If so, why? |
|  | As a minor change, agencies will be required to include annual reporting information on consultant spending, whether expensed or capitalised, for each engagement.   1. 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? |
|  | 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.   1. 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. 2. What alternative approaches should Treasury consider? 3. 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? 4. 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? |
|  | 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).   1. What advantages and disadvantages do you see in extending combined annual reporting beyond agencies in a parent/subsidiary relationship? 2. What circumstances would combined annual reporting information be beneficial? Why?   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?   1. What circumstances should combined annual reporting not be permitted? Why? 2. 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? 3. What are some rules, principles or parameters that could be used to guide decisions about when to use combined annual reporting? 4. 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? |

6. Financial information returns

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| 6 | Questions: Financial information returns |
|  | 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? |
|  | What support can Treasury provide to assist agencies meet their obligations to keep proper financial records? |
|  | 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? |
|  | 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

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| 7 | Questions: Review of the financial reporting exemption framework |
|  | **General feedback on the financial reporting exemptions**   1. 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? 2. 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? 3. 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? 4. Are there other functions that an agency may perform that would warrant it producing full audited financial statements, regardless of its size? 5. 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.)? 6. 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? 7. 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. 8. 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. |
|  | **Small agencies**   1. 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? 2. 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. 3. What problems, if any, does a fixed financial threshold mean for your small agency? 4. 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. 5. Are there non-financial characteristics of the financial thresholds that should also be considered? 6. 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? 7. Does the proposed amendment for zero income agencies meet the needs of your small agency? |

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

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| 8 | Questions: Former reporting GSF agencies and final financial and annual reports |
|  | 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.  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? |
|  | 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’? |
|  | 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? |
|  | Do you agree with the proposed exemption for MOG restructures?  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? |
|  | 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? |

9. General matters

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| 9 | Questions: General matters |
|  | If you could change one thing about annual reporting what would it be? |
|  | What other support or guidance should Treasury provide to help you comply with annual reporting requirements? |
|  | 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? |