

Crown Entity Annual Reports - the Board's Role

*To all Crown entity boards in MCH 'family'
Cc to other boards in MCH 'family' for information*

Introduction

All Crown entities will shortly be required to present their 2006/07 annual reports to Ministers. This will be the first year that your annual report is entirely prepared under the updated reporting regime of the Crown Entities Act.

Responsibility for the Annual Report

The Act is very clear - the responsibility is yours as board members: "an annual report must ...be signed on behalf of the board by 2 board members..."

The key changes to the Annual Report

The new format is different from the previous one and, because of the Crown governance requirements, will also have different components than similar reports in the private or not-for-profit sectors.

The changes differ for each entity, depending on the entity's previous statutory obligations, but include new sign-off provisions, different requirements for disclosure of higher salary and board payments, some new criteria for statements and a more formalised tie-in with the Statement of Intent.

Treasury and the SSC have acknowledged that the new guidelines contained in the memorandum *'Preparing the Annual Report 2007 - Guidance and Requirements for Crown Entities'** are a substantial change in guidance on reporting, as recent messages have been that more should be said about all aspects of the year's performance. The main thrust now is towards producing plainer and more concise compliance documents which focus on the 'vital few' aspects of what constitutes real performance, while meeting the minimum requirements of the Crown Entities Act provisions for reporting.

* <http://www.ssc.govt.nz/display/document.asp?docid=6061&PageType=content&displaytype=pf>

The Board's role

The chair (and where there is an audit committee, the audit committee chair) will ensure that the key board oversight is factored into the board and committee timetable for the August–November period. While management will be responsible for preparing the detail and the draft of the report, the board will want to ensure that it is satisfied with the nature of the report and that it properly reflects both the statutory requirements and the board's viewpoint. In particular, that:

- The report expresses the "authentic voice of the board while providing crucial information about how the board operates" (*Martin Matthews, chief of Judges NZICA Annual Reports Awards, Chartered Accountants Journal July 2007*)
- the report has an appropriate outcome focus, there is a focus on critical aspects of performance and that these are consistent with the intentions, measures and standards set out in the prevailing Statement of Intent;

- there is a coherent account of what has been achieved in the year and that significant variations between planned outcomes and actual achievements are identified and explained;
- the board is satisfied that the information, particularly in the sub reports (such as the Statement of Service Performance and the report on Compliance with Good Employer Policies), complies with the entity's obligations and that any new reporting items required for this 2006/07 report are in an appropriate format;
- the final published format of the report is appropriate, having regard to recent comments from Cabinet that the primary audiences for annual reports under the Act are Ministers and Parliament and they want plain reports and do not require long and/or expensive 'glossy' publications.
- having noted the above, boards do need to consider, with management, who the audiences are for the annual report, and what those audiences' needs are. It may be, however, that those needs are better met by a different means of communication, whether published or made available via the web.

The role of the Ministry for Culture and Heritage

The Ministry's Agency Group is happy to provide any comments and support requested by entities in respect to the new annual report regime.

The Ministry is aware of the expectations of Ministers and also of the Treasury and the State Services Commission. The Ministry will also have the advantage of interacting with a number of boards during this process and will be aware of best practice.

The Ministry's role is to support the Minister while respecting the Board's role and responsibility for approving the report. The Minister has an interest (as do you) in seeing that the report is well-written, accurate, and aligned with the Statement of Intent.

The Minister expects the Ministry to assist entities on these points, and also identify political issues or risks, other issues that the Minister will need to be briefed on, and ensure they are informed on key points before the report is published so they can answer any questions.

Minimum requirements of the Crown Entities Act for annual reports

Section 151 of the Act requires the annual report to contain:

- Information that enables an informed assessment of the entity's operations and performance including assessment against the intentions, measures and standards set out in your prevailing Statement of Intent;
- Statement of service performance, annual financial statements, and the statement of responsibility;
- Support information re compliance with 'good employer' obligations;
- Disclosure of payments to board and committee members and, also, payments to employees who receive \$100,000 p.a. or more, disclosed in bands of \$10,000;
- Disclosure of the total of any compensation paid to persons ceasing their roles;
- Details of any direction given by a Minister during the year, in writing, under any enactment;
- Information, if relevant, supporting the enforcement of certain natural person transactions [s.20 (3)];

- Information, if relevant, re granting of permission to act in a matter despite being interested;
- Any other operational matters that the entity is otherwise required or wishes to report on.

Key timelines

Below are some of the key timelines for the annual report process. While management will have a detailed action timeline in place, board members will wish to be aware of the six key actions in the annual report process.

Action	Crown Entities Act provision	Date
Provide annual financial statements and statement of service performance to Auditor General	s.156 (1) (a)	By 30 September 2007
Provide draft annual report to Audit New Zealand	s.156 (1) (b)	By early October <ul style="list-style-type: none"> • (Board will need to have approved this draft) • Draft should also be discussed with MCH)
Receive Audit report from Audit New Zealand	s.156 (2) (b)	By 31 October <ul style="list-style-type: none"> • (arrange suitable meeting with auditors – full board or audit committee)
Provide annual report to Minister	s.150 (1) (b)	Within 15 working days of receiving audit report
Minister presents annual report to the House	s.150 (3)	Within 5 working days of entity providing annual report to Minister
Your entity publishes the report	s.150 (4)	Within 10 working days of Minister presenting the report to House.

Further information

The Treasury and the State Services Commission guideline for Crown entities is available at:

<http://www.ssc.govt.nz/display/document.asp?docid=6061&PageType=content&displaytype=pf>

The Guideline includes a useful checklist for entities. While this is detail that will be focussed on by management, it does provide a useful overview:

Ministry contacts

Your Sector team and the Governance team at the Ministry are also happy to advise and provide clarification. Contact:

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