Crown Entity

Statements of

Intent

Crown Entities Act Reporting Requirements

Previous CEA performance reporting

Must contain, for at least the next 3 years:

- information on the impacts, outcomes or objectives that the entity seeks to achieve and how the entity will perform its functions to achieve these
- · information on the entity's organisational health and capability
- the main financial and non-financial measures and standards against which the future performance may be judged [s141].

Key changes to performance reporting

Content and frequency change with medium term strategic information decoupled from annual information and must be updated at least once every <u>three years</u> or more frequently if required by the responsible Minister [s139 and 139A].

Information change as the SOI will set out the strategic objectives that the entity intends to achieve or contribute to. To also be known as its strategic intentions [s141].

CEA performance reporting from 1 July 2014

Statements of Intent, which may last up to 3 years:

- Encourages a focus on strategic direction as needs to cover at least the next four years [s139(3)].
- Is less prescriptive about how a Crown entity explains and reports its strategic objectives [s141].
- draft is provided to the Minister at least 2 months before the start of the financial year to allow for good engagement [s146]
- Published on entities' websites as soon as possible after they have been finalised [s149(1)].
- May be tabled in the House on its own, or with the Annual Report for the previous financial year, or with other documents [s149(3)&(4)].

In addition, for the first of the 3 years covered, must contain:

- a statement of forecast service performance, prepared in accordance with GAAP, that [s142(1)(b) and (2)]:
 - o describes the classes of outputs the Crown entity proposes to supply
 - describes the measures and forecast standards of output delivery performance against which the entity's actual delivery of classes of outputs will be reported and audited (note exemptions can be granted by the Minister of Finance under s143).
- Forecast financial statements prepared in accordance with GAAP [s142(1)(a)].

Moved and replaced with an <u>annual</u> Statement of Performance Expectations, with greater flexibility on how information is reported [s149B and s149E].

Moved the annual forecast financial statements will be provided as part of the Statement of Performance Expectations [s149G].

Annual Statements of Performance Expectations:

- Includes a concise explanation of what is intended to be achieved [s149E(2)].
- Includes a concise explanation of how performance is to be assessed [s149E(2)].
- · Includes a forecast financial statements [s149G].
- Must be published on entities' websites as soon as possible after they have been finalised. May be delayed if it takes effect after Budget Day [s149(L)(1)]
- May be tabled in the House on its own, or with the Annual Report for the previous financial year, or with other documents [s149L(3)&(4)].

Crown Entities Act: Ex-Post Reporting Requirements

Crown Entity Annual Reports

Must contain:

- Information to enable an informed assessment of the entity's operations and performance, including an assessment against the intentions, measures and standards set out in the Statement of Intent [s151(1)(a) and s151(2)].
- Must be prepared and audited within 4 months of the end of the financial year, and submitted to Parliament within 15 days of the audit report being completed [s150 and s156].
- A Statement of Service Performance, prepared in accordance with GAAP, that [s151(1)(b) and s153]:
 - o describes each class of outputs supplied by the entity
 - compares the actual standards of delivery performance with those set out in the statement of forecast service performance
 - compares the actual revenue earned and the output expenses incurred against the statement of forecast service performance.
- Annual financial statements, prepared in accordance with GAAP [s151(1)(c) and s154].

Information change as the Annual Report must include information "of the entity's progress in relation to its strategic intentions as set out in the most recent Statement of Intent" [s151].

Replaced with a Statement of Performance, prepared in accordance with GAAP, that requires an entity to report against the ex-ante Statement of Performance Expectations [s153].

Annual Reports, which can be tabled in the House as standalone documents or include the SOI and/or SPE or be part of another report.

 Provide information to assess actual operations as compared with the intended operations set out in the <u>most recent</u> Statement of Intent [s151(3)].

Statements of Performance will:

- describe each class of outputs supplied by the entity
- the standards of delivery performance achieved as compared to the statement of performance expectations, and
- compare the actual revenue earned and the output expenses as compared to the statement of performance expectations [s153].
- Annual financial statements, prepared in accordance with GAAP, will continue to be part of the annual report [s154].

Public Finance Act Schedule 4A Companies now subject to CEA Reporting Requirements

Public Finance Act Schedule 4 companies

Companies listed on Schedule 4 of the Public Finance Act (PFA):

- · Must provide annual financial statements [PFA s45M].
- May be required to comply with the provisions of the CEA relating to Statements of Intent, Statement of Service Performance and/or Annual Reports [PFA Schedule 4 "ticks"].
- · May have various financial powers [PFA Schedule 4 "ticks"].

All companies moved to the new PFA Schedule 4A.

Reporting requirements changed so that the CEA reporting requirements apply to companies listed on Schedule 4A [s45OA PFA].

Application of CEA provisions:

- PFA Schedule 4A companies are subject to the CEA reporting requirements from 17 July 2013 and the amended CEA provisions from 1 July 2014 [s45OA(1)].
- In Scheduled 4A, a tick alongside the name of a company means that the financial powers section of the CEA that appears above the tick applies to that company [s45OA(1)(p)]

Crown Entity Groups – where one parent Crown entity has control of the subsidiary

This is relevant to statutory Crown entities, Crown entity companies (excluding Crown Research Institutes) and Public Finance Act Schedule 4A companies.

Previous CEA performance reporting

Statements of Intent (SOI)

Unless exempted, parent Crown entities are required to prepare an SOI for the Crown entity group. The SOI must include:

- forecast financial statements for both the parent Crown entity and the Crown entity group, and
- consolidated information for the Crown entity group.

These are provided to Parliament.

Annual Reports

Parent Crown entities must prepare annual reports on the affairs of the Crown entity group that contain consolidated financial information for the Crown entity group. This is provided to Parliament.

Each entity – parent and subsidiary must prepare its own annual financial statements and have them audited. These annual financial statements are not required to be provided to Parliament.

Key changes to performance reporting

- Removed the requirement for separate financial forecasts for the parent Crown entity.
- New Minister of Finance power to require any of the ex-ante elements (SOI, statement of performance expectations, forecast financials) from any member of the group in addition to the group reporting.
- Removed the requirement for each entity to prepares its own annual financial statements and have them audited.
- New Minister of Finance power to require any of the ex-post elements (annual report, statement of performance, financials, and / or audit) from any member of the group in addition to the group reporting.

CEA performance reporting from 1 July 2014

- Group reporting by the parent as the default [s156A]. (Refer to Diagram 5 for the changes to the SOI, and the new statement of performance expectations document).
- The Minister of Finance may require in writing additional reporting from any member of the group but before doing so
 - o consider the entity's operations and functions
 - consult the responsible Minister, and
 - be satisfied that the additional reporting is necessary or desirable to enhance public accountability of the entity [s156B].

Multi-parent subsidiaries – to have Crown control two or more entities need to be treated as one

This is relevant to all categories of Crown entities and to Public Finance Act Schedule 4A companies

Previous CEA performance reporting

Statements of Intent

and

Annual Reports A multi-parent subsidiary cannot simply be reported as part of a Crown entity group. A multi-parent subsidiary must produce its own accountability documents under the CEA.

The Minister of Finance can exempt a multi-parent subsidiary from the preparation of a statement of intent or annual report, subject to any conditions that the Minister thinks fit. In granting an exemption the Minister must be satisfied that it would be unduly onerous on the multi-parent subsidiary to comply with the reporting requirement.

Key changes to performance reporting

Regime 1: School Boards of Trustees & Tertiary Education Institutions

Exemption test has an accountability dimension added.

Regime 2: Statutory Crown Entities, Crown Entity Companies (excluding Crown Research Institutes) and PFA Schedule 4A companies

Simplified reporting - group reporting, unless Minister of Finance requires additional reporting by any member within the group.

Exemption from reporting removed – as no longer necessary.

CEA performance reporting from 1 July 2014

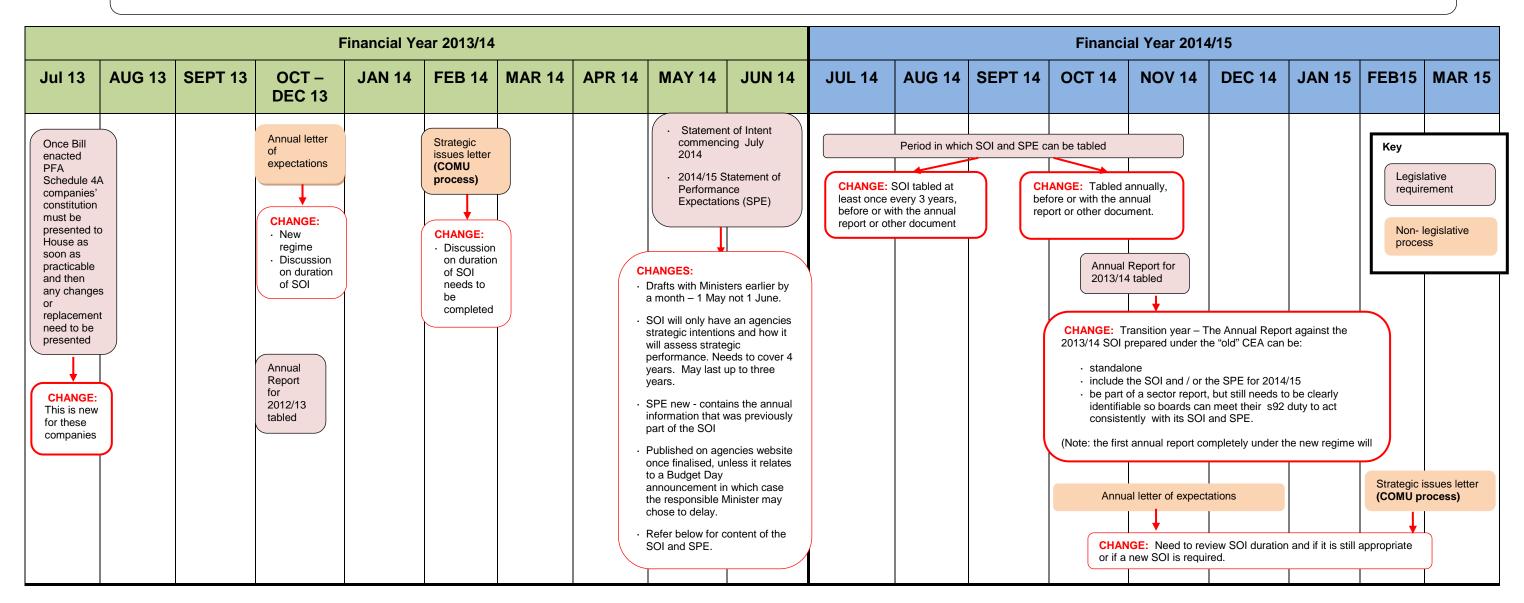
- Each multi-parent subsidiary must comply with all the reporting requirements unless an exemption is given by the Minister of Finance. This requirement has not changed [s157].
- In giving an exemption, the Minister of Finance must be satisfied that it would be unduly onerous for the multi-parent subsidiary to comply with the reporting requirement, and that the exemption is consistent with maintaining reasonable public accountability. The exemption may be subject to conditions [s157].
- Group reporting by each parent as the default companies [s157A].
- The Minister of Finance may require in writing additional reporting from any member of the group but before doing so must: consider the entity's operations and functions, consult the responsible Minister, and be satisfied that the additional reporting is necessary or desirable to enhance public accountability of the entity [s157A].

Not in legislation - resolving regime conflicts for multi-parent subsidiaries

Where there is a regime conflict of any sort - i.e. where a multi-parent subsidiary has investors with different legislative regimes applying, the Treasury approach will generally be that the multi-parent subsidiary must report in full, unless exempted. Please note: the CRI regime (which is in the Crown Research Institutes Act 1992) and Regime 2 are consistent with each other in terms of group reporting. However, the Minister of Finance's additional reporting power is only in the CEA.

Planning and Reporting cycle for COMU companies reporting under the amended Crown Entities Act

The information below is based on a standard financial year cycle with the default of group reporting. The Minister can direct amendments to a final SOI, SPE or require a new SOI and /or a new SPE at any time, or grant extensions or waivers. A Board may also amend an SOI and / or an SPE at any time.



NEW SOI covering a minimum four years of strategic intentions This is the Crown's ownership interest

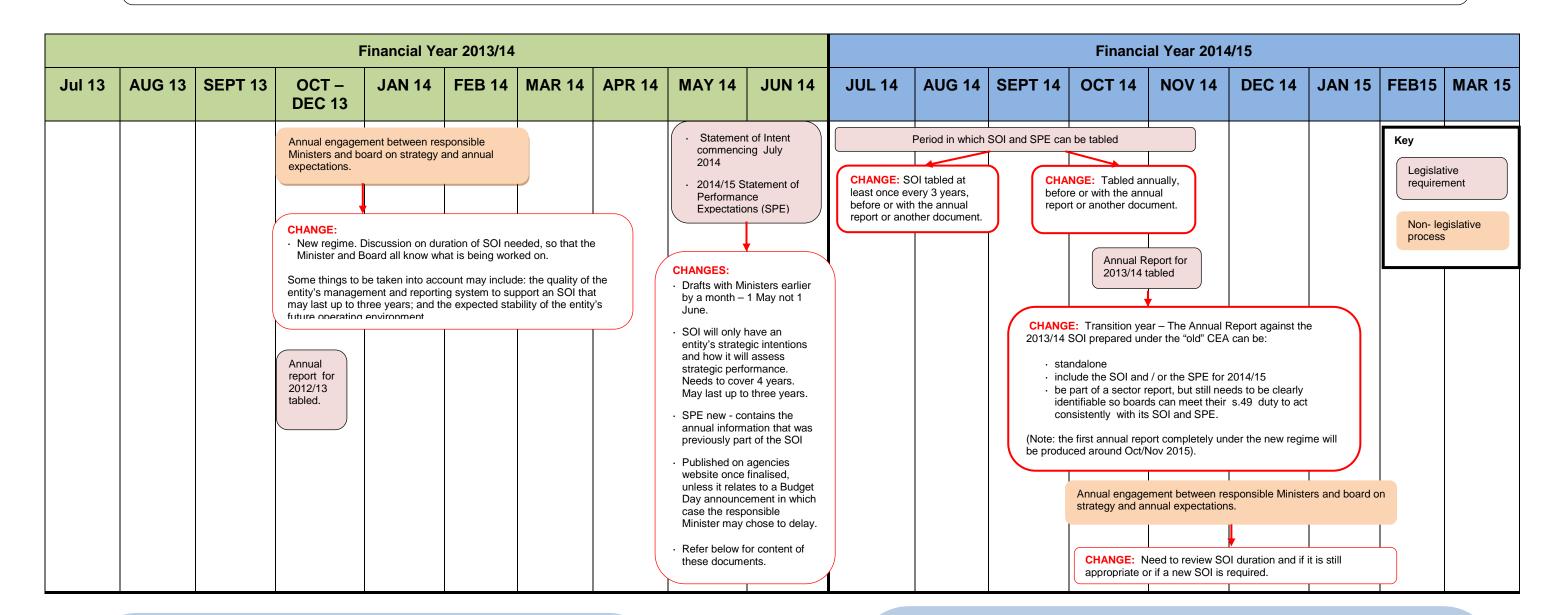
- Explain the nature and scope of the agency's functions and intended operations.
- Explain how the agency intends to manage its functions and operations to meet its strategic intentions.
- Explain how the agency proposes to manage its organisational health and capability.
- Explain how the agency proposes to assess its performance.
- · Identify any process to be followed for the purpose of section 100 of the CEA.
- Set out and explain any other matters that necessary to achieve an understanding of the agency's strategic intentions and capability the agency is required to include in its statement of intent under this Act or another Act.

NEW SPE covering one financial year This includes the Crown's purchase interest where applicable (reportable outputs)

- Every agency must provide forecast financial statements that include all significant assumptions, and any additional information and explanations required to understand them.
- For agencies with reportable classes of outputs i.e. those directly funded (in whole or part) by appropriations, grants, levies, fees, charges in Acts -
 - explain what the class of outputs is intended to achieve
 - o identify the expected revenue and proposed expenses for the class of outputs
 - o explain how the performance of the class of outputs will be assessed.
- For agencies with reportable class of outputs identify any exemptions to the reportable outputs.
- State whether the agency intends to supply other outputs that are not reportable.
- Any additional information the agency is required to include in its SPE under this Act or another Act.

Planning and Reporting cycle for statutory Crown entities

The information below is based on a standard financial year cycle with the default of group reporting. The Minister can direct amendments to a final SOI, SPE or require a new SOI and /or a new SPE at any time, or grant extensions or waivers. A Board may also amend an SOI and / or an SPE at any time.



NEW SOI covering a minimum four years of strategic intentions This is the Crown's ownership interest

- Explain the nature and scope of the agency's functions and intended operations.
- Explain how the agency intends to manage its functions and operations to meet its strategic intentions.
- Explain how the agency proposes to manage its organisational health and capability.
- Explain how the agency proposes to assess its performance.
- · Identify any process to be followed for the purpose of section 100 of the CEA.
- Set out and explain any other matters that necessary to achieve an understanding of the agency's strategic intentions and capability the agency is required to include in its statement of intent under this Act or another Act.

NEW SPE covering one financial year This includes the Crown's purchase interest where applicable

- Every agency must provide forecast financial statements that include all significant assumptions, and any additional information and explanations required to understand them.
- For agencies with "reportable" classes of outputs i.e. those directly funded (in whole or part) by appropriations, grants, levies, fees, charges in Acts -
 - explain what the class of outputs is intended to achieve
 - identify the expected revenue and proposed expenses for the class of outputs
 - o explain how the performance of the class of outputs will be assessed.
- For agencies with reportable class of outputs identify any exemptions to the "reportable outputs"
- Any additional information the agency is required to include in its SPE under this Act or another Act