

Annual Reporting

03 November 2021

R.171/2021

Contents

Summary	3
Introduction	3
Key findings	4
Conclusion	5
Objectives and scope of the review	6
Detailed findings	7
Overall content and structure	7
Performance Reports	14
Accountability reports	20
Overall best practice principles	26
Sustainability reporting	28
Appendix One	34
Audit Approach	34
Appendix Two	37
Summary of Recommendations	37

Summary

Introduction

1. Annual reports are a key means by which an entity tells the story of its year. Public annual reporting, done well, enables stakeholders to understand – with trust and confidence – an entity’s strategy and the risks it faces, how much money has been spent and on what, and what has been achieved as a result. It enables stakeholders to hold the entity to account effectively.
2. In 2020 I reviewed the annual reports and, where available publicly, the annual accounts produced by the States of Jersey and 37 Jersey entities that were either:
 - identified by the States of Jersey in its annual report as controlled by the States; or
 - established by the States Assembly and required to prepare an annual report and/or accounts.
3. I considered the content of all the annual reports and accounts reviewed against a set of good practice criteria I had developed encompassing:
 - minimum content that I consider to be best practice for accountability to public stakeholders
 - essential elements of a good annual report; and
 - overarching principles for good public reporting.
4. The implementation of the recommendations contained in my 2020 Report *Annual Reporting* and my 2021 Thinkpiece *Public Audit in Jersey* is part of the work of the Arm’s Length Bodies Oversight Board established by the Government of Jersey. The implementation of some of the recommendations will require changes to legislation. Appendix Two of this Report details the recommendations and areas for consideration noted in my 2020 Report that remain relevant.
5. My 2020 Report *Annual Reporting* concluded that *‘All entities should aspire to improve the content and accessibility of their public annual reports. Strategic objectives should be reported transparently, should be assessed against risks and should be measured against relevant, quantifiable key performance indicators (KPIs) on a consistent basis’*. I encouraged entities to adopt good practice on a voluntary basis until such time as new formal requirements are introduced.

6. In 2021 I have carried out a similar review of the annual reports and accounts for 2020 that were available at 30 September 2021 for the States of Jersey, the same 37 Jersey entities reviewed during 2020 and an additional 14 entities. The purpose of my review was to assess progress being made in improving annual reporting and to identify and share good practice examples.
7. Over recent years, the practice of reporting by organisations about sustainability, across environmental, social and economic measures, has increased. A recent report by the Chartered Institute of Public Finance and Accountancy (CIPFA)¹ however found that public sector organisations are lagging behind their private sector counterparts when it comes to sustainability reporting. In carrying out my review in 2021 I have added a particular focus on sustainability reporting.
8. The annual reports and accounts of the entities I have considered are detailed in Appendix One to this report.
9. To assist entities in improving their performance I have published a second *Good Practice Guide* updated for 2021 that draws out examples from the better performing entities.

Key findings

10. The key findings from my review in 2021 are as follows:
 - although the content of most 2020 annual reports did not meet best practice, there was an overall improvement from the previous year. The COVID-19 pandemic provided a focus for entities to tell a clearer story about their purpose, the decisions taken and the arrangements put in place to address challenges caused by the pandemic
 - a small number of entities made more fundamental improvements to their annual reports and addressed key issues raised in my 2020 Report and *Good Practice Guide*
 - a significant number of entities' annual accounts could not be located on the entities' websites and, for these entities, limited financial information was reported publicly
 - despite the potential for the COVID-19 pandemic to delay the publication of annual reports, there was a slight improvement in timeliness of public

¹ *Evolving Climate Accountability: A Global Review of Public Sector Environmental Reporting*, CIPFA July 2021

reporting compared to 2020. Where deadlines for annual reports are set, most entities met the required deadlines

- only 15% of entities produced a single annual report comprising an identifiable performance report, accountability report and financial statements. Few performance or accountability reports were signed or dated by the Chief Executive or equivalent
- the overall content of 73% of annual reports was poor or very poor compared to best practice. Key areas where annual reports could be improved include:
 - setting out objectives, analysing associated risks and summarising performance, including KPIs to measure performance against objectives
 - providing information on governance arrangements and operations (including structures and delivery models); and
 - reporting on remuneration and other workforce matters; and
- some entities are reporting performance against environmental measures. However, few entities are reporting against a wider range of sustainability measures.

Conclusion

11. Annual reports are a fundamental part of ensuring the accountability of entities. Few States established or States controlled entities have made significant progress in improving their annual reports for 2020 and significant improvements are needed for most entities to meet best practice.
12. All entities should consider the issues raised in this report and my *Good Practice Guide* and seek to improve the accessibility and content of their 2021 annual reports. Annual reports should be clearer about entities' objectives (and the extent to which objectives have been met), governance arrangements, operations, remuneration and workforce matters. Entities should ensure that their reports are publicly available and are easy to locate.
13. The States should take the lead in developing their own sustainability reporting and in developing minimum requirements for sustainability reporting by States established and States controlled entities.

Objectives and scope of the review

14. This review has considered the 2020 annual reports of the States of Jersey, States controlled entities and entities established by the States, against updated criteria encompassing:
 - minimum content that I consider to be best practice for accountability to public stakeholders
 - essential elements of a good annual report; and
 - overarching principles for good public reporting.
15. The review identifies the progress being made by entities in improving their annual reporting. It also identifies good practice to share through the publication of a *Good Practice Guide 2021*.
16. The review has not followed up the specific recommendations made in my 2020 Report but instead evaluates the progress being made by entities, on a voluntary basis, to improve their annual reporting. The recommendations from 2020 that remain relevant in 2021 are shown in Appendix Two.

Detailed findings

Overall content and structure

17. In 2020 I identified the minimum content that I would expect to be included in an annual report, namely:
- a **single** report comprising:
 - a performance report
 - an accountability report; and
 - the financial statements
 - the **performance report** should be:
 - a fair, balanced and understandable report analysing the entity's performance; and
 - signed and dated by the Chief Executive or equivalent
 - the **accountability report** should:
 - explain the composition and organisation of the entity's governance structures, remuneration and staff policies and how they support the achievement of the entity's objectives; and
 - include a directors' (or equivalent) report, a statement of responsibilities, a governance statement and a remuneration and staff report; and
 - the **financial statements** for similar entities should be prepared to a consistent accounting framework to enable cross-entity comparison.
18. Exhibit 1 summarises the key elements I consider to be good practice in the single annual report.

Exhibit 1: Good practice single annual reports



Source: Jersey Audit Office

19. My 2020 Report found that many entities did not produce a 'single' report. It found that whilst most entities' reports included a commentary on performance, these were not signed by the Chief Executive or equivalent. My 2020 Report also found that most entities included a limited commentary on governance but that not all included a statement of responsibilities or a governance statement and that reporting on remuneration and staff was generally weak.
20. I have reviewed the content of annual reports against best practice identified by the UK National Audit Office and against those content requirements placed on

UK public sector bodies that I consider to be best practice. The criteria I used in 2021 reflect the most up to date best practice I have identified.

21. I have also considered the extent to which entities have embraced sustainability reporting best practice in their annual reports.

Statutory and other requirements for annual reports

22. As noted in my 2020 Report, the States have not set out their expectations for the structure or minimum contents of annual reports. The requirements for annual reports vary from one entity to another as summarised in Exhibit 2.

Exhibit 2: Requirements for Annual Report and Accounts

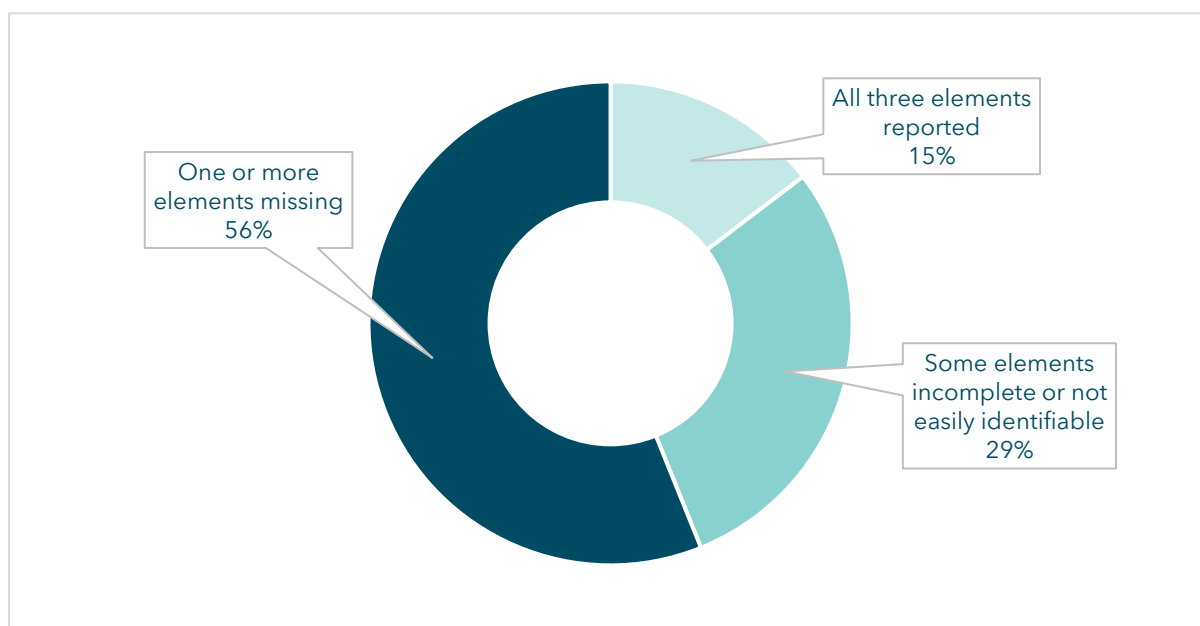
Entity	Requirements for Annual Report and Accounts
States of Jersey	Set out in the Jersey Financial Reporting Manual (JFREM) and to be submitted to the States Assembly by 31 May.
Unlisted companies	<p>Prepare accounts in accordance with 'any generally accepted accounting principles' under Article 105 of the Companies (Jersey) Law 1991.</p> <p>Produce within seven months of the year end of the company for public companies and ten months of the year end of the company for private companies.</p> <p>No prescribed content for annual reports.</p>
Jersey Electricity plc	<p>Jersey Electricity plc is the only company controlled by the States listed on the UK Stock Exchange.</p> <p>Accounts are prepared under International Financial Reporting Standards within seven months of the year end.</p> <p>Annual report is required to comply with the UK listing rules and the UK corporate governance code.</p>
Other States controlled and established entities	<p>Most, but not all, required to prepare annual reports by the legislation under which the entity is established. The legislation typically sets out:</p> <ul style="list-style-type: none"> • what the annual reports should cover - usually just the entity's activities, but in some cases specific content is required • to whom the annual report should be submitted - usually to the States Assembly; and • by when annual reports should be submitted - for most entities there are specific deadlines, some are required to submit 'as soon as practicable' but for some there are no deadlines at all.

Source: Jersey Audit Office analysis of requirements

Content and structure of 2020 annual reports

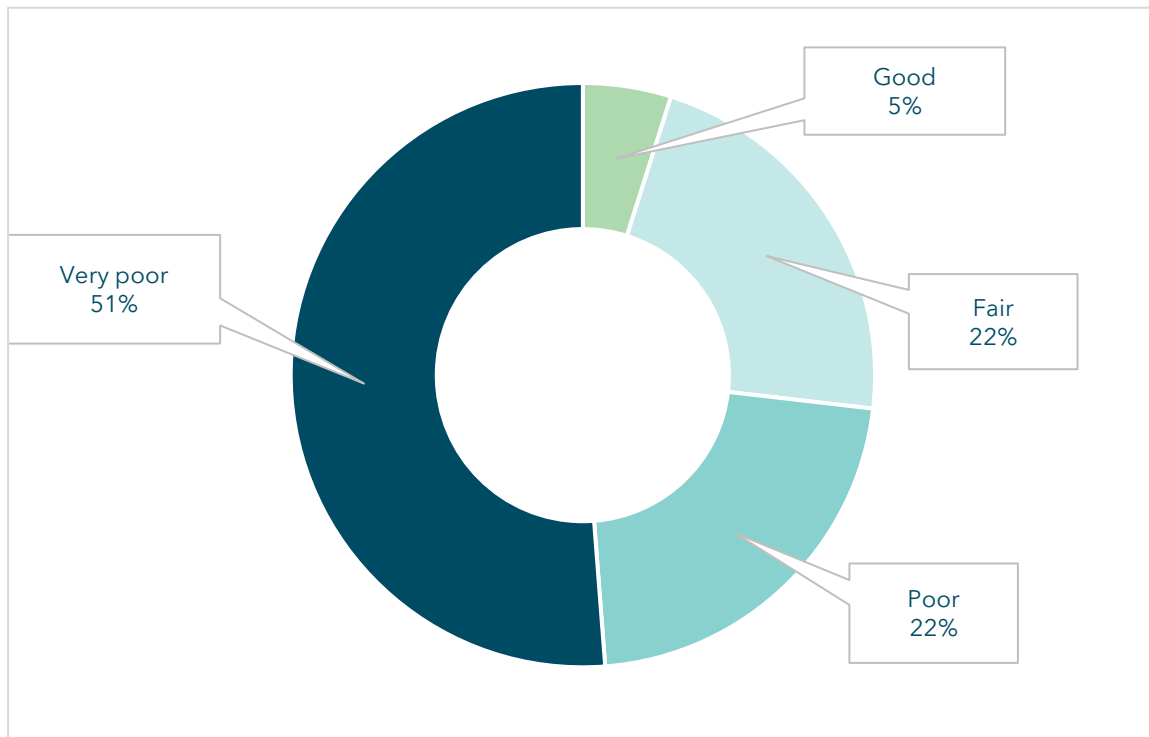
23. Most 2020 annual reports included similar content and had the same structure as the previous year. As a result, the overall content and structure of annual reports continue to fall short of best practice:
- only 15% of entities produced a single annual report comprising an identifiable accountability report, performance report and financial statements (Exhibit 3); and
 - 73% of entities had poor or very poor content compared to best practice (Exhibit 4).

Exhibit 3: Single annual reports comprising a performance report, an accountability report and financial statements



Source: Jersey Audit Office review of 2020 annual reports

Exhibit 4: Content of annual reports compared to best practice



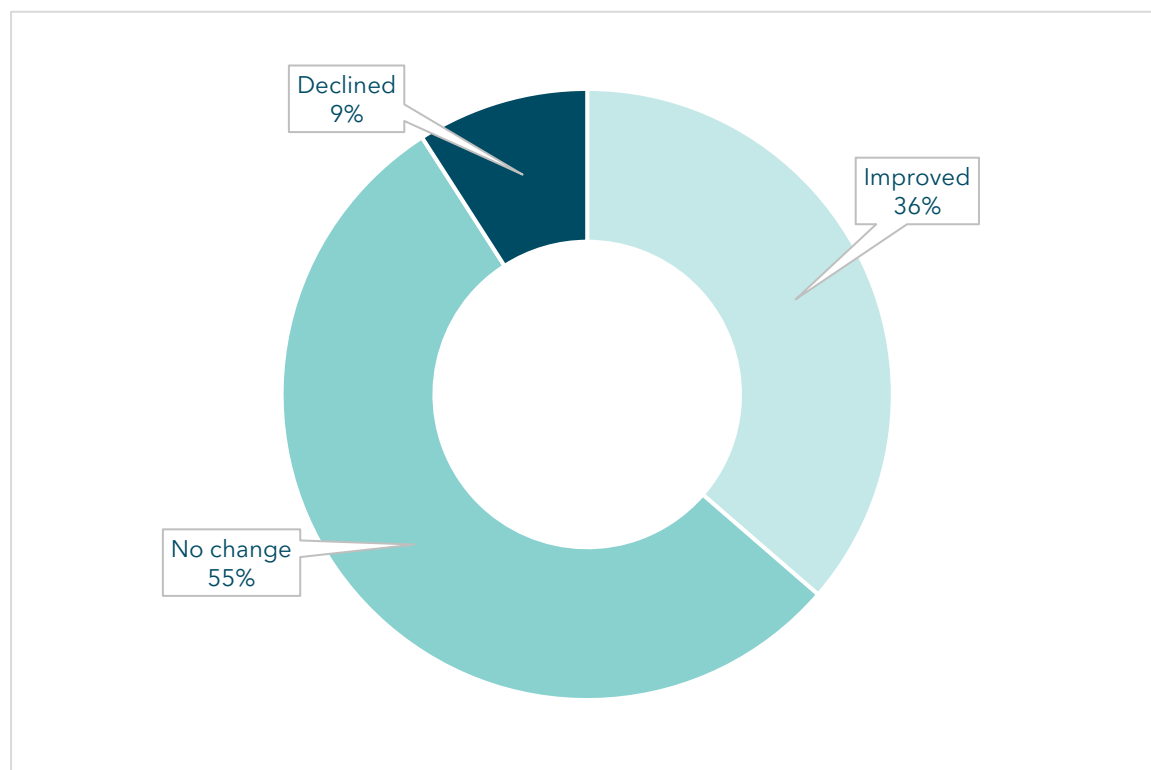
Source: Jersey Audit Office review of 2020 annual reports

24. As I reported in 2020, performance reports and accountability reports were rarely signed by the Chief Executive or equivalent. In addition, many entities did not include a statement of responsibilities, a governance statement or adequate information on remuneration and staff.

Improvements in content and structure compared to previous years

25. Although the overall content and structure of 2020 annual reports fell below best practice, there was an overall improvement from the previous reports as shown in Exhibit 5.

Exhibit 5: Content of annual reports compared to best practice: direction of travel



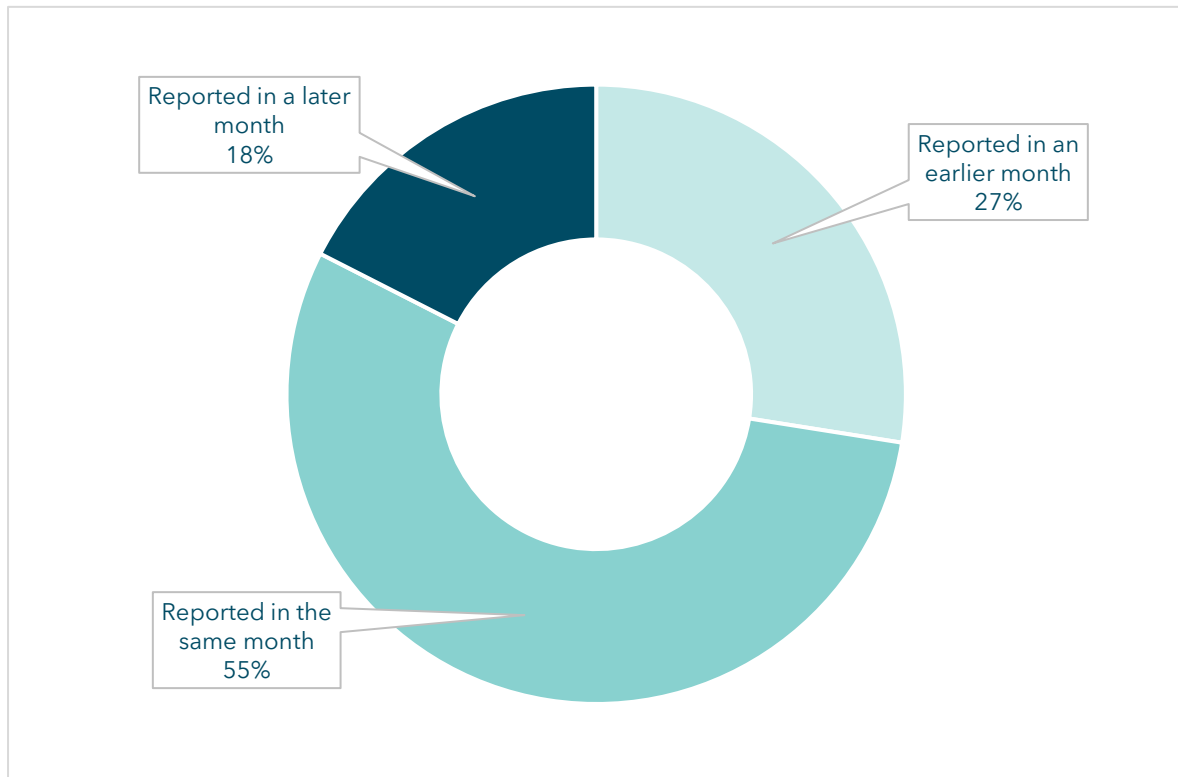
Source: Jersey Audit Office review of 2019 and 2020 annual reports

26. The COVID-19 pandemic provided a focus for entities to tell a clearer story about their purpose, the decisions taken and the arrangements put in place to address challenges caused by the pandemic. This was the main driver behind the improvement in content noted in the 2020 annual reports.
27. A small number of entities made more fundamental changes and included additional content in their 2020 reports. The Jersey Competition Regulatory Authority (JCRA) made the biggest improvement in 2020. Whilst being a separate entity, the JCRA had previously reported as part of a joint annual report with Guernsey. For 2020 however the JCRA prepared its first annual report as a single entity. In doing so it took the opportunity to revise the structure and content of the Annual Report referring specifically to my *Annual Reporting Good Practice Guide*.
28. In contrast, a small number of entities omitted important information that had been provided in the prior year.

Timeliness of production of annual reports

29. Despite the potential for the COVID-19 pandemic to delay the publication of annual reports, there was a slight improvement in timeliness as shown in Exhibit 6.

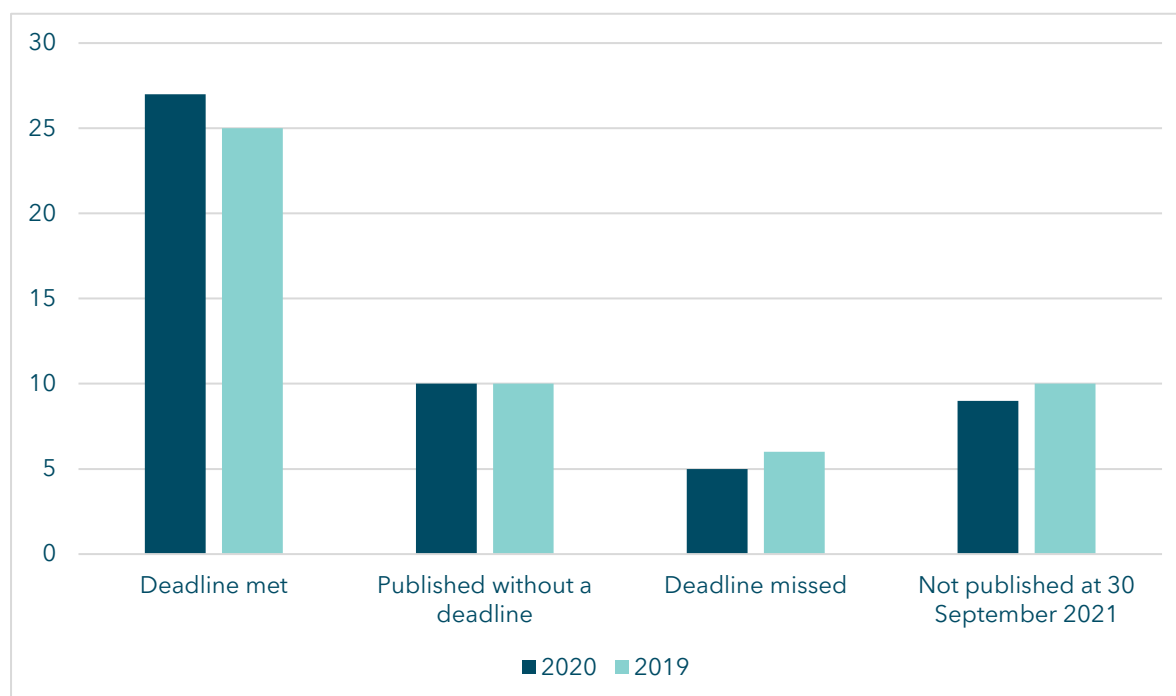
Exhibit 6: Reporting month of 2020 annual reports compared to 2019



Source: Jersey Audit Office review of 2019 and 2020 annual reports

30. As in the previous year, where deadlines for annual reports were set, most entities met them. As shown in Exhibit 7, as at 30 September 2021:
- 27 out of 32 entities with a deadline met the deadline
 - five had missed their deadlines
 - 10 entities published annual reports despite the absence of a deadline; and
 - nine entities had not published an annual report.

Exhibit 7: Annual reports published within deadlines as at 30 September 2021



Source: Jersey Audit Office review of 2019 and 2020 annual reports

Performance Reports

31. Performance reports should be:

- balanced, fair and understandable; and
- tell the full story of an entity, including both positive and negative aspects of performance so users can have confidence in any judgements and so it is clear that reporting is trustworthy and transparent.

32. Performance reports that exhibit best practice include the following elements.

Strategy

- A statement of the purpose and activities of the entity including in respect of a brief description of the business model and environment, organisational structure and priorities or any other organisational strategic objectives and goals, objectives and strategies.

- The key issues and risks that could affect the entity in delivering its objectives, how they have changed, how they have been mitigated and any emerging risks that may affect future performance.
- Clarity around purpose, strategic objectives and key programmes/projects.
- Balanced view of progress against objectives.
- Details of plans to implement priorities.
- Strategy clearly linked to performance measures and risks.



Risks

- Clear articulation of the organisation's risk management process.
- Risks that reflect the external environment and implications to the entity (for example, COVID-19).
- Clear links between risks, strategic objectives and the performance report narrative.
- Quantified risks and realistic planned and implemented mitigations.
- A description of how the dynamic of the risk profile has changed over time, including developments in relation to specific risks disclosed.



Operations

- Clear explanation of different delivery models used, the reasons for using these models and how they achieved value for money.
- Narrative around how business operations support wider public sector (or other) objectives.
- For significant contracted-out services: discussion of how these contracts are awarded and how the entity manages the ongoing contract.
- Consideration of capital investment and how it achieves value for money.



Performance analysis

- A statement from the entity's lead Minister or Chief Executive or equivalent providing their perspective on the performance of the entity over the period.
- A performance analysis showing how the organisation has performed against priorities (or any other organisational strategic objectives and goals) using qualitative and quantitative information and prior year trend information where possible. Performance data against each of the indicators used to monitor performance against priority outcomes should be provided. Any financial information provided should link to the financial review.
- Non-financial information including on environmental protection, social responsibility, respect for human rights, anti-corruption and anti-bribery matters and diversity.
- Information on environmental matters including the impact of the entity's business on the environment and identifying where its performance contributes towards the delivery of Sustainable Development Goals (SDGs).
- Quantified KPIs aligned to strategic objectives and making appropriate use of financial and non-financial data.
- Balanced assessment of goals achieved and performance against targets.
- Graphics used to illustrate performance.



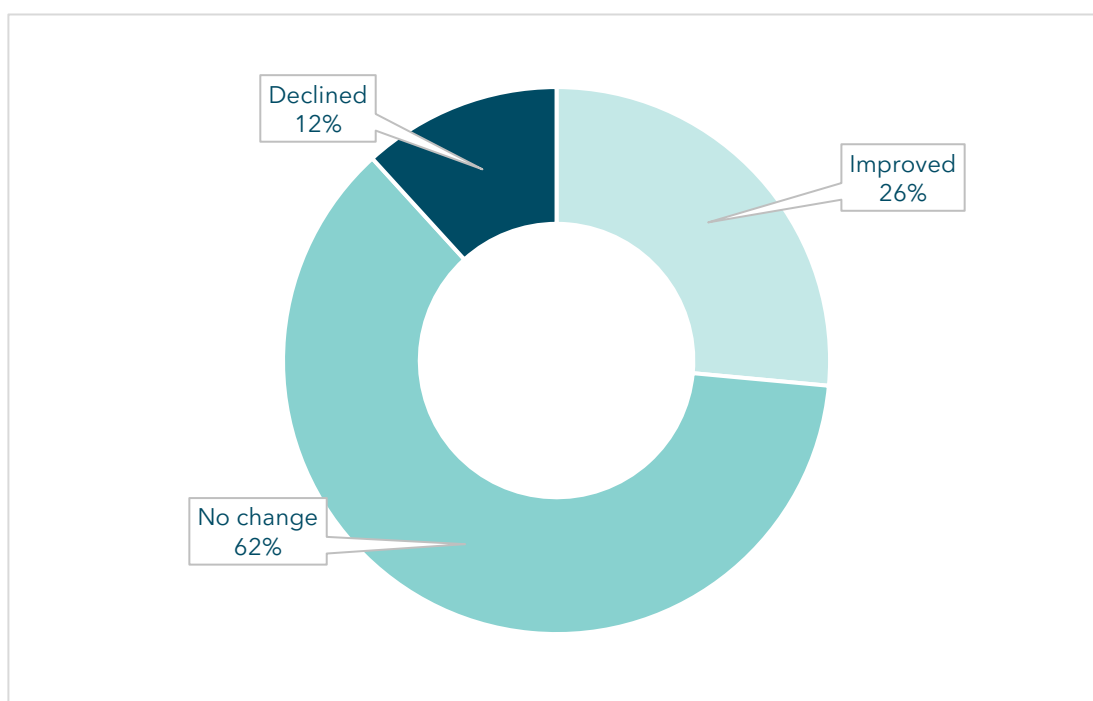
Financial performance

- A financial review detailing financial performance.
- A fair and balanced reflection of financial performance which is consistent with the underlying financial statements.
- An explanation of the adoption of the going concern basis where this might be called into doubt, for example where there are significant net liabilities that will be financed from resources voted by States Assembly in the future.
- Discussion of actual performance against expected/budgeted performance.

2020 performance reports

33. Most 2020 performance reports were similar to the previous year although several were improved by the inclusion of discussion of the challenges presented by the COVID-19 pandemic and the organisation's response. The commentaries on the COVID-19 pandemic resulted in more balanced annual reports by including positive and negative aspects of performance and a fuller discussion of risks.
34. Out of 33 performance reports reviewed in both 2021 and 2020, the quality of the reports for nine were improved, for 21 were unchanged and for four had declined as shown in Exhibit 8. The four 2020 performance reports that scored less well than the previous year had omitted useful information included in the previous year.

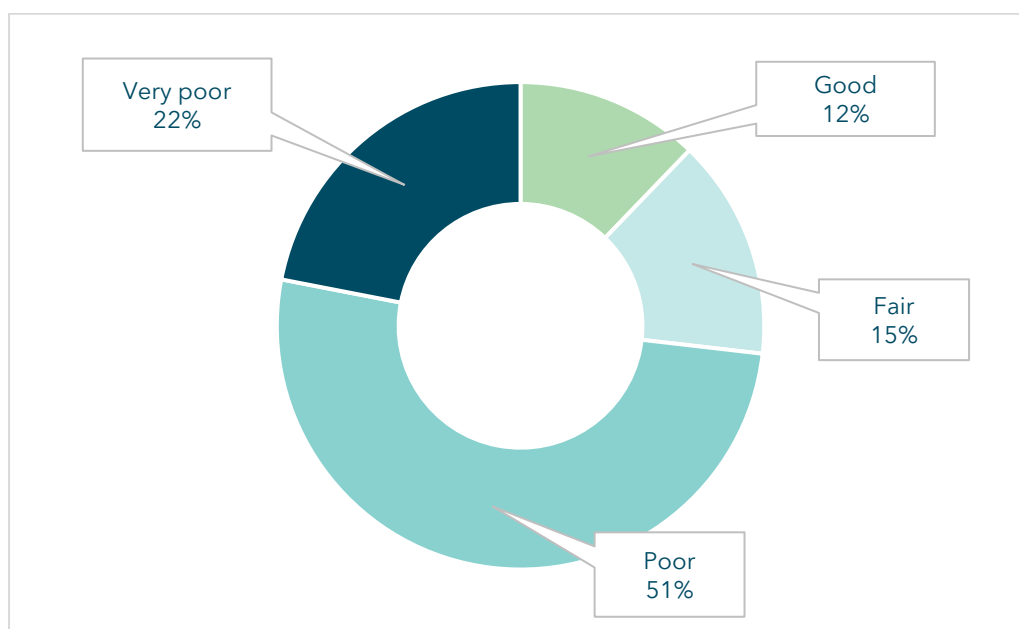
Exhibit 8: Performance reports: direction of travel



Source: Jersey Audit Office review of 2019 and 2020 annual reports

35. Despite the encouraging overall improvement seen in 2020, most performance reports did not meet best practice. My review assessed that 51% of performance reports demonstrate poor compliance with best practice and 22% demonstrate very poor compliance with best practice as shown in Exhibit 9.


Exhibit 9: Performance reports: compliance with best practice







Source: Jersey Audit Office review of 2020 annual reports

36. The key areas for improvement are the same as I reported in 2020 and are summarised in Exhibit 10.

Exhibit 10: Performance reports - areas for improvement

Best practice	Areas for improvement
<p>Strategy</p> 	<ul style="list-style-type: none"> • Whilst many organisations set out their mission and strategic objectives clearly, some do not. • Where objectives have been set out: <ul style="list-style-type: none"> ○ links from strategic objectives to performance measures, risks, areas of investment and financial information are often weak ○ summaries of progress against objectives are not always provided; and ○ where summaries of progress are provided, they often read like a list of achievements rather than an analysis of whether progress is in line with expectations. • Some organisations provide no information on performance measures. In contrast, others provide a wide range of data, but it is often not clear whether the outcomes reported represent success.

Best practice	Areas for improvement
<p>Risks</p> 	<ul style="list-style-type: none"> • Less than half of the reports: <ul style="list-style-type: none"> ◦ describe the organisation’s risk management process; and ◦ summarise the risks faced and mitigating actions put in place (other than in respect of COVID-19). • Where corporate risks were set out with mitigations, few organisations: <ul style="list-style-type: none"> ◦ quantify their risks; and ◦ tell the story of how risks have changed over time.
<p>Operations</p> 	<ul style="list-style-type: none"> • 11 of the organisations reviewed failed to include any information at all in their annual reports regarding their operations. • Few reports comment on: <ul style="list-style-type: none"> ◦ delivery models, contract management and value for money; and ◦ how operations contribute to wider States’ objectives.
<p>Performance analysis</p> 	<ul style="list-style-type: none"> • Some organisations did not provide any information on performance measures. • Most reports do include some data on performance. However not all organisations publish data on KPIs. Where KPI data is published the data does not always cover all objectives and it is not always commented on. Where analysis and commentaries are provided, these rarely acknowledge areas in which the organisation could have done better. • For many organisations it is difficult to gain an understanding of whether performance has been good, bad or indifferent based on the data and commentary provided. • Reporting of environmental impact is inconsistent and many organisations do not comment on this aspect at all.

Best practice	Areas for improvement
Financial performance 	<ul style="list-style-type: none"> Some organisations do not provide any financial information at all within their annual reports and do not make the financial statements available online either. Where organisations do provide a commentary on financial performance it tends to reflect the financial statements and compares performance to previous years rather than to budget. It is therefore often difficult to understand whether the financial performance is in line with expectations for the year.

Source: Jersey Audit Office review of 2020 annual reports

Accountability reports

37. Accountability reports should be signed and dated by the Chief Executive or equivalent. They should contain at least two sections:

- a **corporate governance** report, which as a minimum should include:
 - the directors' or equivalent report
 - a statement of responsibilities; and
 - a governance statement; and
- a **remuneration and staff** report.

38. Entities should provide at least a short overview of these sections and explain how they contribute to the entity's accountability and best practice in the context of corporate governance norms and codes.

39. Accountability reports that exhibit best practice include the following elements.



Directors' or equivalent report

- The names of the chairman and chief executive.
- The composition of the individuals or management board having authority or responsibility for directing or controlling the major activities of the entity during the year.

- Details of entity directorships and other significant interests held by members of the management board which may conflict with their management responsibilities.
- Information on personal data related incidents where these have been formally reported to the Data Protection Authority.



A statement of responsibilities

- An explanation of the responsibilities of the chief executive or equivalent.
- Where the report includes audited financial statements, a statement to confirm that, as far as they are aware, there is no relevant audit information of which the entity's auditors are unaware, and the directors (or equivalent) have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the entity's auditors are aware of that information.
- A statement from the directors (or equivalent) to confirm that the annual report as a whole is fair, balanced and understandable and that they take personal responsibility for the annual report and the judgments required for determining that it is fair, balanced and understandable.



A governance report

- A narrative statement explaining the governance structure of the entity, including information about any board committee structure, its attendance records and the coverage of its work.
- Transparent information about how the office holder or entity board works effectively to govern the entity including information about the quality of the data used by the office holder or board, and why the office holder or board finds it acceptable.
- An assessment of the effectiveness of the office holder's or board's performance.
- Highlights of any board committee reports.
- A risk assessment, including the entity's risk profile and how it is managed.
- A summary of any significant lapses of protective security.



A remuneration and staff report

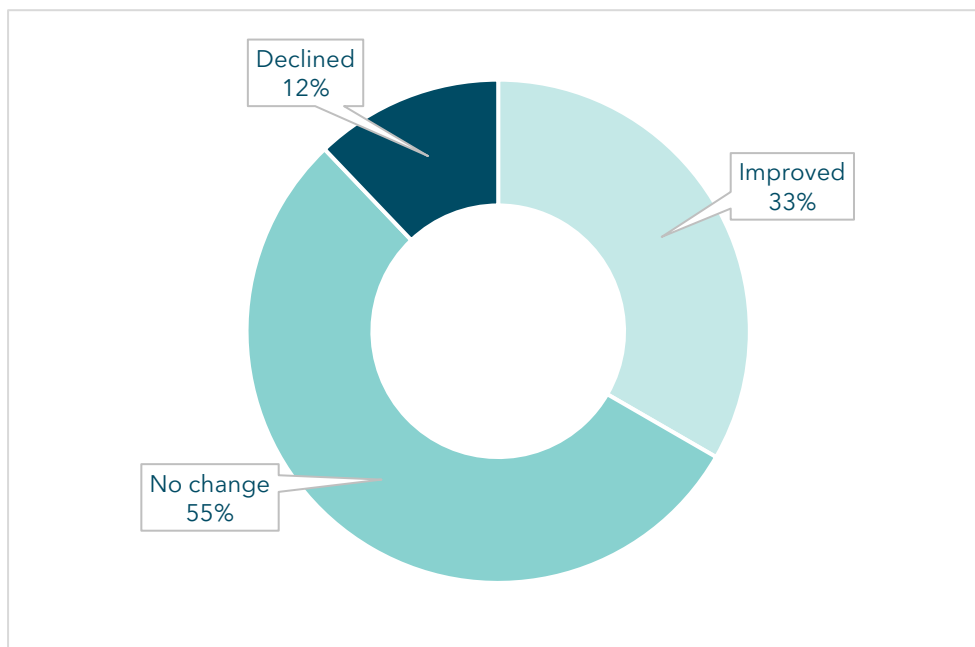
- The policy on the remuneration of directors (or equivalent) for the current and future years.
- Each component and the overall single total remuneration figure for each director (or equivalent), including:
 - salary and allowances
 - performance pay or bonuses payable
 - non-cash benefits
 - accrued pension benefits; and
 - compensation for loss of office and other severance payments.
- For each of salary and allowances, performance pay and bonuses payable and non-cash benefits:
 - the percentage change from the previous financial year in respect of the highest paid director; and
 - the average percentage change from the previous financial year in respect of the employees of the entity taken as a whole.
- The lower quartile, median and upper quartile remuneration of the reporting entity's staff.
- The ratio between the lower quartile, median and upper quartile staff remuneration and the mid-point of the banded remuneration of the highest paid director (or equivalent) and an explanation for any significant changes in the ratio between the current and prior year.
- Number of senior staff (or equivalent) by band.
- Staff numbers and costs.
- Staff composition.
- Sick leave absence data.
- Staff policies applied during the financial year in respect of disabled persons.

- Other relevant employee matters such as: other diversity issues; employment issues including employee consultation and/or participation; health and safety at work; trade union relationships; and human capital management.
- Expenditure on consultancy.
- Off-payroll engagements - summary data on the use of off-payroll arrangements.
- Exit packages - summary data on the use of exit packages agreed in year.

Accountability report - 2021 findings

40. Despite accountability reports remaining largely unchanged, many provided additional useful material on governance arrangements in respect of the COVID-19 pandemic. As a result, I have assessed that 33% of accountability reports are improved compared to those I reviewed in 2020 as shown in Exhibit 11.

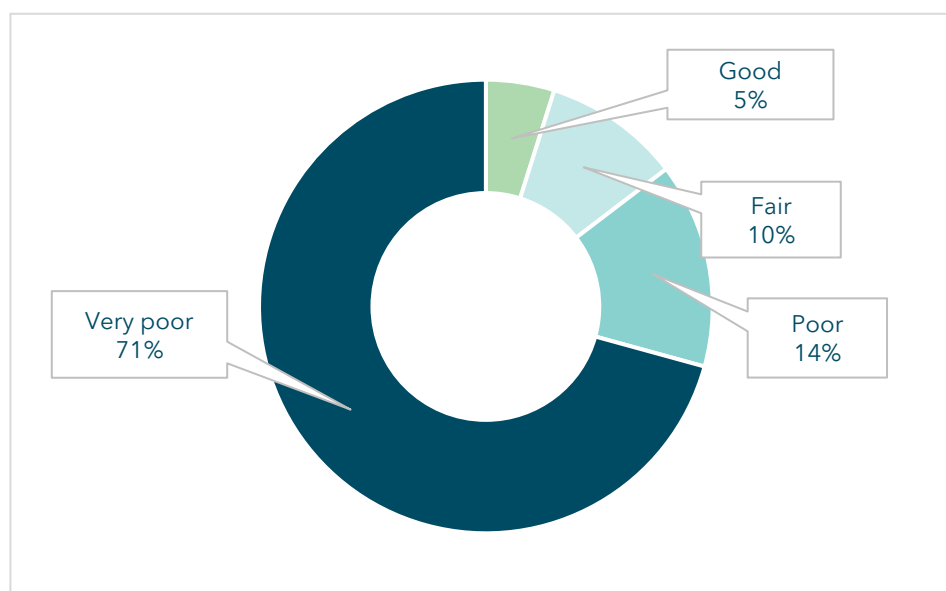
Exhibit 11: Accountability reports: direction of travel



Source: Jersey Audit Office review of 2019 and 2020 annual reports

41. However, there are still some significant omissions in accountability reports:
- only five of the 41 annual reports reviewed included both a corporate governance report and a remuneration report. Most included neither; and
 - 85% of accountability reports demonstrated poor or very poor compliance with best practice as shown in Exhibit 12.

Exhibit 12: 2020 Accountability report - compliance with best practice



Source: Jersey Audit Office review of 2019 and 2020 annual reports

42. The key areas for improvement are similar to those I reported in 2020 and are summarised in Exhibit 13.

Exhibit 13: Accountability reports - areas for improvement

Best practice	Areas for improvement
Directors' or equivalent report 	<ul style="list-style-type: none"> Few entities gave information on directors' other interests or on data breaches. This lack of information means it is not clear that in all cases there were no directors' other interests and no data breaches.
A statement of responsibilities 	<ul style="list-style-type: none"> Only five annual reports reviewed included a full statement of responsibilities. 18 did not include any form of statement. The remaining annual reports did not include specific statements to confirm that there was no relevant audit information of which the entity's auditors were unaware and/or to confirm that the annual report and accounts as a whole were fair, balanced and understandable.

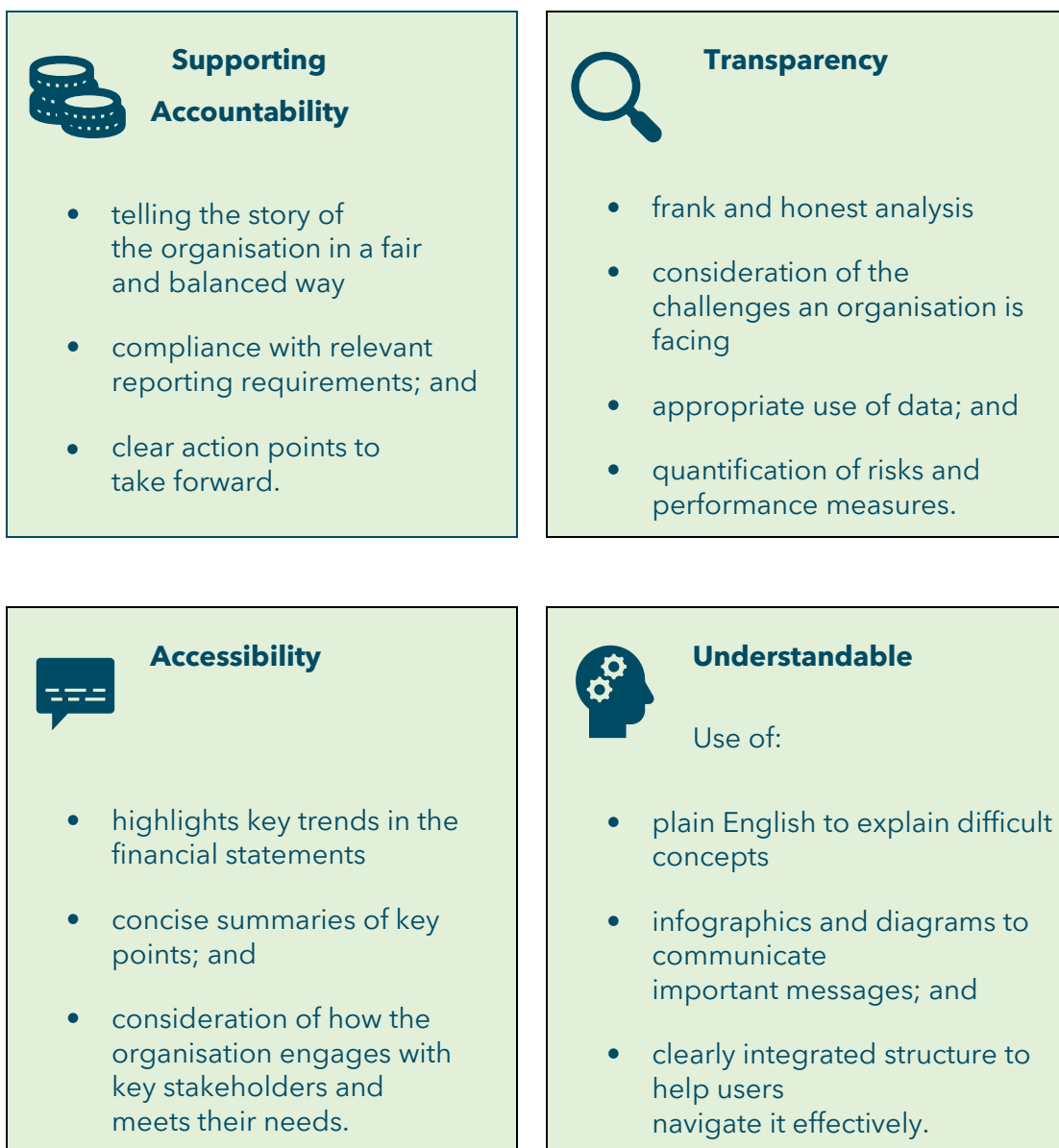
Best practice	Areas for improvement
<p>A governance report</p> 	<ul style="list-style-type: none"> • 18 annual reports did not include a governance report in any form. • For those entities that included a governance report, none included all best practice elements. Key areas that were typically omitted were: <ul style="list-style-type: none"> ○ attendance records for board and committee members at relevant meetings ○ information about the board’s performance and the actions being taken to make improvements ○ corporate governance standards followed (some entities referred to the UK Corporate Governance Code but it was not always clear which elements of the UK Corporate Governance Code they complied with) ○ information about the quality of data used by the board and whether the board finds the quality of data acceptable ○ highlights of board committee reports; and ○ a summary of any significant lapses of protective security.
<p>A remuneration and staff report</p> 	<p>Apart from the States of Jersey annual report, remuneration and staff reports fell well below best practice standards.</p> <p>Some entities reported information on directors’ (or equivalent) remuneration. However, this did not include pension information consistently and did not always include information on the remuneration policy for directors.</p> <p>For 24 annual reports reviewed there was little or no reporting of staff related matters.</p> <p>Where staff matters were reported, this tended to be a narrative regarding policies rather than specific staff data. For example, other than for the States of Jersey, there was no information to compare pay between higher and lower paid employees.</p>

Source: Jersey Audit Office review of 2020 annual reports

Overall good practice principles

43. There are, in my view, four overall principles for good practice in annual reports as shown in Exhibit 14.

Exhibit 14: Overall principles for good practice annual reporting



Source: National Audit Office Good Practice in Annual Reporting February 2021



Supporting Accountability

44. Last year, I noted that 2019 annual reports often focussed on entities' achievements with limited commentary on the things that had not gone to plan. In contrast, almost all annual reports for 2020 discussed how entities had addressed the challenges of the COVID-19 pandemic. As a result, 2020 annual reports generally told a more balanced story of the year.
45. However, the stories told in annual reports were often not focussed on the entities' strategic objectives and few annual reports set out clear actions for future years. The absence of specified content for annual reports also made it difficult for entities to demonstrate that they had complied with relevant reporting requirements.



Transparency

46. Other than in relation to the COVID-19 pandemic, there was minimal consideration of the challenges faced by entities. Most describe key risks, but risks are rarely quantified and discussion of the potential impact and mitigating actions is limited.
47. Most entities continued to include an array of data in their annual reports. However, few set targets for strategic objectives, report performance for KPIs or provide a frank and honest commentary.



Accessibility

48. Eight of the reports reviewed contained all elements of good practice in terms of accessibility. For other entities, there is scope to improve:
 - integration of financial data throughout the report consistent with the financial reporting contained in the financial statements; and
 - consideration and reporting of how the entity engages with its key stakeholders and how the entity meets their needs.
49. For a significant proportion of entities, their annual accounts could not be located on entities' websites.



Understandable

50. Reports were generally well written in plain English. Some entities used infographics to enhance the understandability of the content of the report to the lay reader. There is, however, scope for more entities to adopt this approach to make content more understandable.
51. Whilst all reports had a clear structure, it was not always easy to use the structure to understand where relevant content could be found.

Sustainability reporting

52. Over recent years there has been an increasing interest in sustainability reporting by entities across the world. The CIPFA research found that sustainability reporting in the public sector is still in its infancy. CIPFA notes that *'the lack of data, the absence of a consistent and accepted framework and the lack of a requirement or mandate to produce a sustainability report were often cited as key impediments for a public sector entity to prepare a sustainability report'*.

States of Jersey

53. Under the Jersey Financial Reporting Manual (JFREM), the States of Jersey are expected to provide information on environmental matters including the impact of the entity's business on the environment. The JFREM states that *'It is envisaged that such reporting will be integral throughout the annual report and accounts and not a separate standalone report'*.
54. The JFREM requirements are based on the UK requirements for central government departments. In the UK, the Financial Reporting Manual (FReM) mandates some sustainability reporting in line with various pieces of legislation. Furthermore, UK government departments are required to follow the sustainability reporting guidance that is mandated for most government entities and requires reporting against certain environmental targets (Greening Government Commitments (GGC) 2016–2018 covered greenhouse gases, flights, waste, water and paper).
55. The States of Jersey Annual Report 2020 includes a specific Environmental Sustainability Report that sets out details of the performance of the States in respect of greenhouse gas emissions, waste and finite resource consumption in respect of water and paper.

- 56. The Public Finances (Jersey) Law 2019 requires the Council of Ministers to take into account the sustainable wellbeing of current and future generations when it develops the Government Plan. This means that sustainable wellbeing is now intended to be central to the way Government of Jersey makes decisions and designs public services.
- 57. The Jersey Performance Framework has been introduced to measure the progress Jersey is making towards achieving sustainable wellbeing. It includes different aspects of sustainable wellbeing as shown in Exhibit 15.

Exhibit 15: The Jersey Performance Framework



Source: Government of Jersey website

- 58. The Jersey Performance Framework is supported by a series of Island Outcomes and Indicators. These Outcomes and Indicators are long term whole Island measures of performance and are numerous, as shown in Exhibit 16. In some instance, Outcomes and Indicators are still being developed.

Exhibit 16: Number of Island Outcomes and Indicators

Area	Overall outcome statements	Island outcomes	Indicators
Community			
Children	5	13	43
Health and wellbeing	5	14	46
Safety and security	1	4	7
Vibrant and inclusive community	2	4	23
Economic			
Affordable living	1	2	15
Business environment	Not developed	Not developed	Not developed
Jobs and growth	1	7	33
Environmental			
Built environment	3	9	33
Natural environment	1	2	12
Sustainable resources	1	5	11

Source: Jersey Audit Office analysis of the Jersey Performance Framework

59. The indicators in the Jersey Performance Framework are different to the performance indicators used to report on the services delivered by individual Government departments. The Jersey Performance Framework indicators are long term sustainability measures rather than in year performance measures.
60. The States of Jersey Annual Report 2020 includes reporting of performance delivery indicators for each Government department. In addition, as noted above, the States of Jersey Annual Report 2020 includes a specific environmental sustainability report that reports on some aspects of the environmental segment of the Jersey Performance Framework.

61. A more holistic sustainability report for the States of Jersey would include an analysis and commentary of performance using the Jersey Performance Framework.

States established and States controlled entities

62. Only eight States established or controlled entities reviewed included information on environmental measures. The information included ranged from a commentary on environmental policy through to reporting of environmental impact measures. Seven of these eight entities also included some information on wider sustainability measures although the information reported was often limited to a commentary related to social responsibility activities.
63. None of the entities reviewed used the Jersey Performance Framework to report on sustainability.

Climate related disclosures

64. The Taskforce on Climate-related Financial Disclosures (TCFD) was established in December 2015 by the Financial Stability Board. In 2017, the TCFD published a report which set out four core elements of recommended climate-related financial disclosures that apply to organisations across sectors and jurisdictions:
- Governance: The organisation's governance around climate-related risks and opportunities.
 - Strategy: The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.
 - Risk Management: The processes used by the organisation to identify, assess and manage climate-related risks.
 - Metrics and Targets: The metrics and targets used to assess and manage relevant climate-related risks and opportunities.
65. While reporting using the TCFD is not currently mandatory, several companies across the world have begun to use this as a disclosure framework. The TCFD also recently published its 2020 Status Report providing an overview of current disclosure practices in terms of their alignment with the TCFD's recommendations. The report found that *'Disclosure of TCFD-aligned information increased by six percentage points, on average, between 2017 and 2019; and the Task Force applauds the improvements made – both in terms of the number of companies reporting and the quality of such reporting. However, companies' disclosure of the potential financial impact of climate change on their businesses and strategies remains low'*. The TCFD recommended disclosures are shown in Exhibit 17.

Exhibit 17: TCFD recommendations and supporting recommended disclosures

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organisation's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.	Disclose how the organisation identifies, assesses and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended disclosures			
a) Describe the Board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	a) Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	b) Describe the organisation's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks.
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2 degree or lower scenario.	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Source: Recommendations of the Task Force on Climate-related Financial Disclosures

66. A limited number of the entities reviewed included reporting on climate-related matters. Some entities disclosed their strategies and policies in respect of climate change but fewer entities disclosed the metrics used to assess climate related risks and opportunities.

Recommendations for the States of Jersey

- R1** Set out a public ambition and timetable for the production of an annual sustainability report based on the Jersey Performance Framework and the TCFD recommended disclosures. This report should include the publication of targets alongside actual performance and comparative data with other jurisdictions where this is available.
- R2** Consider whether the sustainability report referred to in R1 should form part of the Annual Report or be a separate report.
- R3** Consider the degree of independent assurance that should be provided over the data contained within the sustainability report referred to in R1.
- R4** Introduce a set of minimum requirements for sustainability reporting by States established and States controlled entities. In doing so, consider how to apply the Jersey Performance Framework and the TCFD recommended disclosures in the context of States established and States controlled entities.

Recommendation for States established and States controlled entities

- R5** Develop the content of annual reports to include sustainability reporting using a framework appropriate to the entity.

Appendix One

Audit Approach

The review encompassed a desk based review of the latest published annual reports and financial statements of the following entities against good practice criteria:

Entity name	Documents reviewed
Andium Homes	Annual Report 2020
Bank Depositors Compensation Scheme	Annual Report and Audited Financial Statements 31 January 2021
Care Commission	Annual Report 2020
Charity Commissioner	Annual Report 2020
Charity Tribunal	Annual Report 2020
Children's Commissioner	Annual Report 2020
Consumer Council	Annual Report 2020
Data Protection Authority	Jersey Office of the Information Commissioner 2020 Annual Report
Digital Jersey	Annual Review 2020
Director of Civil Aviation	Annual Report 2020
Employment Tribunal	Annual Report 2020
Financial Services Commission	Annual Report 2020
Financial Services Ombudsman	Annual Report 2020
Gambling Commission	2020 Annual Report and Accounts
Government of Jersey London Office	Financial Statements 31 December 2020
Independent Prison Monitoring Board	Report of the Independent Prison Monitoring Board for 2020
Jersey Advisory and Conciliation Service	2020 Annual Report Board Members' Report and Financial Statements for the year ended 31 December 2020
Jersey Appointments Commission	Annual Report 2020

Entity name	Documents reviewed
Jersey Business	Reports and Financial Statements 31 December 2020
Jersey Competition Regulatory Authority	Annual Report and Accounts 2020
Jersey Electricity	Report and Accounts 2020
Jersey Overseas Aid Commission	Annual Report 2020
Jersey Legal Information Board	Annual Report and Financial Statements 31 December 2020
Jersey Post International Limited	Business Review 2020
Jersey Sport	Annual Report 2020
Jersey Teachers' Superannuation Fund	Annual Report 2020
Jersey Telecom	Annual Report and consolidated statements 31 December 2020 Progress Report 2020/21
Jersey Water	2020 Annual Report and Financial Statements
Multi-Agency Public Protection Arrangements	Annual Report 2020
Office of the Comptroller and Auditor General	Annual Report and Accounts 2020
Police Complaints Authority	Annual Report 2020
Ports of Jersey	Annual Report 2020
Prison Service	Annual Report 2020
Public Employees Pension Fund	Annual Report 2020
Public Lotteries	Report for 2020
Safety Council	Annual Report and Accounts 2020
States Assembly	Annual Report 2020
States Employment Board	Annual Report 2020
States of Jersey	2020 Annual Report and Accounts

Entity name	Documents reviewed
States of Jersey Development Company	Annual Report and Consolidated Financial Statements 2020
Visit Jersey	Financial Statements 31 December 2020

The annual reports of the following States established and States controlled entities were not reviewed as they were not available publicly at the time of the fieldwork.

Entity name
Bureau des Iles Anglo-Normandes
Channel Islands Brussels Office
Complaints Panel
Criminal Injuries Compensation Board
Jersey Finance
Jersey Law Commission
Mental Health Tribunal
States of Jersey Police
Tenancy Deposit Scheme

In addition, Statistics Jersey is a States established entity but is not required to produce an Annual Report.

Appendix Two

Summary of Recommendations

Recommendations and Areas for Consideration from my 2020 Report that remain relevant

Recommendations for the States of Jersey

- R1** Reintroduce the requirement for the Chief Executive to sign the performance report.
- R2** Introduce a consistent requirement for all States controlled unlisted companies to make their financial statements publicly available.
- R3** Introduce a consistent set of requirements for the accounting framework to be adopted by States controlled unlisted companies.
- R4** Introduce a consistent set of minimum requirements for the annual reports of States controlled unlisted companies. These minimum requirements should include information regarding performance and accountability of the companies as well as minimum requirements for financial information disclosure.
- R5** Introduce a consistent set of minimum requirements for the annual reports of other States controlled entities. These minimum requirements should include information regarding performance and accountability of the entities as well as minimum requirements for financial information disclosure.
- R6** Introduce a requirement for Statistics Jersey to produce an annual report.
- R7** Introduce a consistent set of minimum requirements for the annual reports of all entities established by the States Assembly. These minimum requirements should include information regarding performance and accountability of the entities as well as minimum requirements for financial information disclosure.
- R9** Introduce a consistent requirement for all entities controlled by the States or established by the States Assembly to publish an accountability report comprising a directors' (or equivalent) report, a statement of responsibilities, a governance report and a remuneration and staff report as part of their annual report.

Recommendations for all entities

- R8** Improve the public annual reporting of performance to include all of the elements of best practice identified in this report.
- R10** Review the contents of the annual report to include best practice accountability reports including a directors' (or equivalent) report, a statement of responsibilities, a governance report and a remuneration and staff report.
- R11** Review and update the content of the next annual report to embrace the best practice principles noted in this report.

Areas for consideration by the States of Jersey

- A1** Consider whether to introduce a requirement for States controlled entities above a consistent size threshold, to produce stand-alone audited financial statements prepared under a suitable accounting framework such as FRS102.
- A2** Consider adopting consistent provisions about deadlines for the preparation, submission and publication of annual reports.

Recommendations from my 2021 Report

Recommendations for the States of Jersey

- R1** Set out a public ambition and timetable for the production of an annual sustainability report based on the Jersey Performance Framework and the TCFD recommended disclosures. This report should include the publication of targets alongside actual performance and comparative data with other jurisdictions where this is available.
- R2** Consider whether the sustainability report referred to in R1 should form part of the Annual Report or be a separate report.
- R3** Consider the degree of independent assurance that should be provided over the data contained within the sustainability report referred to in R1.
- R4** Introduce a set of minimum requirements for sustainability reporting by States established and States controlled entities. In doing so, consider how to apply the Jersey Performance Framework and the TCFD recommended disclosures in the context of States established and States controlled entities.

Recommendation for States established and States controlled entities

- R5** Develop the content of annual reports to include sustainability reporting using a framework appropriate to the entity.



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