

Annual Reporting

09 November 2022

Contents

Summary	3
Introduction	3
Key findings	4
Conclusions	5
Objectives and scope of the review	6
Detailed findings	7
Current status of previous recommendations	7
Overall content and structure	10
Timeliness of publication of annual reports	17
Performance reports	19
Accountability reports	26
Overall Good Practice Principles	33
Sustainability reporting	37
Appendix One - Annual reports and accounts reviewed	39
Appendix Two - Scoring methodology for 2021 annual reports	43
Appendix Three - Progress on implementing recommendations and areas for consideration from my 2020 and 2021 reports	59
Appendix Four - Summary of consolidated recommendations and areas for consideration from my 2020, 2021 and 2022 reports	64

Summary

Introduction

1. An annual report is 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. I published reports in both 2020 and 2021 on *Annual Reporting*. My 2021 report concluded that few States established or States controlled entities had made significant progress in improving their annual reports for 2020 and that significant improvements were needed for most entities to meet best practice.
3. In order to promote best practice I published a *Good Practice Guide to Annual Reporting* in 2020 and a further one in 2021. In December 2021, I held a workshop on annual reporting and in February 2022 I published an *Annual Report Self-Assessment Tool* to assist organisations in the preparation of their annual reports.
4. Consistent with my reviews in 2020 and 2021 I have reviewed the annual reports and, where available publicly, the annual accounts produced by the States of Jersey and 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.
5. For 2022, I reviewed the 38 annual reports that were published by 31 July 2022. The full list of annual reports I have considered in 2020, 2021 and 2022 is set out in Appendix One. The purpose of my review was to assess progress being made in improving annual reporting and to identify and share good practice examples.
6. I reviewed the content of annual reports against:
 - best practice identified by the UK National Audit Office
 - the content requirements placed on UK public sector bodies that I consider to be best practice; and
 - recognised best practice in sustainability reporting.

7. I have refined the criteria I have used in each year to reflect the most up to date best practice I have identified and used the criteria to develop a scoring methodology. The scoring methodology for assessing 2021 annual reports is set out in Appendix Two.
8. To assist entities in improving their performance I am also publishing a third *Good Practice Guide* updated for 2022 that draws out examples from the better performing entities.

Key findings

9. I am pleased to see that most entities reviewed have made improvements to their annual reports, some significantly:
 - three-quarters of 2021 annual reports set out information on performance, accountability and (where relevant) their finances in single annual reports. This compares to just over half in 2020
 - 66% of 2021 annual reports' overall content (43% in 2020) is fair or good compared to best practice; and
 - 79% of annual reports (62% in 2020) demonstrated fair or good compliance with best practice principles.
10. Progress in respect of accountability and sustainability reporting has however been slower:
 - more than 40% of accountability reports are still poor or very poor compared to best practice. In particular, over 70% of remuneration and staff reporting (including disclosure of directors' pay and directors' interests) fell below best practice; and
 - just under half of annual reports made no reference to climate issues and only five reported on sustainability using a relevant sustainability framework.
11. There has been a mixed picture in respect of timeliness for publishing 2021 annual reports:
 - 14 entities published their 2021 annual reports in an earlier month than for the previous year compared to 10 that published their annual reports in a later month
 - more entities missed their deadlines for their 2021 annual reports than for their 2020 annual reports; and

- fewer annual reports were published by 31 July in 2022 than has been the case in 2021 and 2020.

Conclusions

12. Annual reporting is fundamental to ensuring accountability of public entities.
13. I am pleased with the improvements I have seen in the annual reports of many States controlled and States established entities. I encourage entities to consider the issues raised in this report and my *Good Practice Guides* and continue to make further improvements.
14. The States of Jersey have an opportunity to build on the progress made by individual entities by specifying the requirements for annual reporting. In doing so, the States should pay particular attention to:
 - accountability reporting, especially staff and remuneration disclosures; and
 - sustainability reporting.
15. So as to help the States of Jersey and individual entities focus their actions, I have consolidated the findings from this report and recommendations from my 2020 and 2021 reports into a single set of recommendations. This is set out in Appendix Four.

Objectives and scope of the review

16. The review has evaluated the 2021 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
 - over-arching principles for good public reporting.
17. These criteria and the scoring methodology are set out in Appendix Two.
18. The review sought to identify the progress being made by entities in improving their annual reporting. It also sought to identify and share good practice through the publication of a further *Good Practice Guide*.

Detailed findings

Current status of previous recommendations

19. Some of the most important recommendations from my 2020 report were for the States of Jersey to specify the contents of annual reports for States established and States controlled entities. Similarly, my 2021 report made recommendations for the States to set out their requirements for sustainability reporting.
20. I am pleased to see that the States of Jersey have established a number of workstreams as part of the work of the Arm's Length Bodies Oversight Board. These workstreams are actively considering and monitoring implementation of my previous recommendations in respect of good practice in annual reporting. A governance framework is being developed that is intended to encompass requirements in respect of annual reporting. For those bodies in receipt of grant funding, the grant appraisal process is also being developed to embed good practice in annual reporting. In addition, officers have advised me that updated Memoranda of Understanding are now in place with a number of States controlled and States established entities.
21. I have set out a detailed analysis of progress made in Appendix Three.
22. Whilst the States are developing their oversight arrangements, most entities made voluntary improvements to their 2021 annual reports, with many making significant improvements. However, more needs to be done:
 - just over one third of annual reports were still poor or very poor compared to best practice; and
 - many entities still need to improve how they report on key areas, especially:
 - remuneration and staff reporting; and
 - sustainability reporting.
23. So as to help the States of Jersey and individual entities focus their actions, I have consolidated my recommendations and areas for consideration from this report and my 2020 and 2021 reports into the following five recommendations.

Recommendations for the States of Jersey

- R1** Finalise and set out minimum requirements for annual reports and accounts for States established and States controlled entities. In doing so, consider:
- setting out different requirements depending on the nature and size of entities
 - specifying minimum requirements for reporting on performance, accountability and finances
 - requiring specific disclosures of remuneration of directors and staff
 - for entities required to publish financial statements:
 - specifying the accounting framework; and
 - specifying the degree of independent assurance that should be provided over the financial statements; and
 - for all entities, setting out the requirements for making the annual report and accounts public.
- R2** Introduce a requirement for Statistics Jersey to produce an annual report.
- R3** Set out a public ambition and timetable for the production of a States of Jersey annual sustainability report. In doing so, consider:
- the Jersey Performance Framework and the Taskforce on Climate-Related Financial Disclosures (TCFD) recommended disclosures
 - whether the sustainability report should form part of the States of Jersey Annual Report and Accounts or be a separate report
 - publishing targets alongside actual performance and comparative data with other jurisdictions where this is available; and
 - the degree of independent assurance that should be provided over the data contained within the sustainability report.
- R4** Set out 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.

Recommendation for all entities

R5 Continue to improve annual reporting. In doing so, consider:

- any minimum requirements set out by the States of Jersey
- how to improve reporting on performance, accountability (including director and staff remuneration) and finances
- how to use an appropriate framework to improve sustainability reporting; and
- other good practice identified in this report and my *Good Practice Guide*.

Overall content and structure

24. 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.
25. 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

26. Entities will need to adapt good practice to their circumstances. For example:
- where entities are not required to prepare financial statements, I would expect annual reports to present other relevant financial information
 - exceptionally, where an entity has no income and expenditure, for example because costs are incurred by a third party, I would expect this to be explained; and
 - where an entity does not engage any staff, for example because services are contracted out, I would expect the annual report to set out the arrangements that are in place.

Statutory and other requirements for annual reports

27. 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

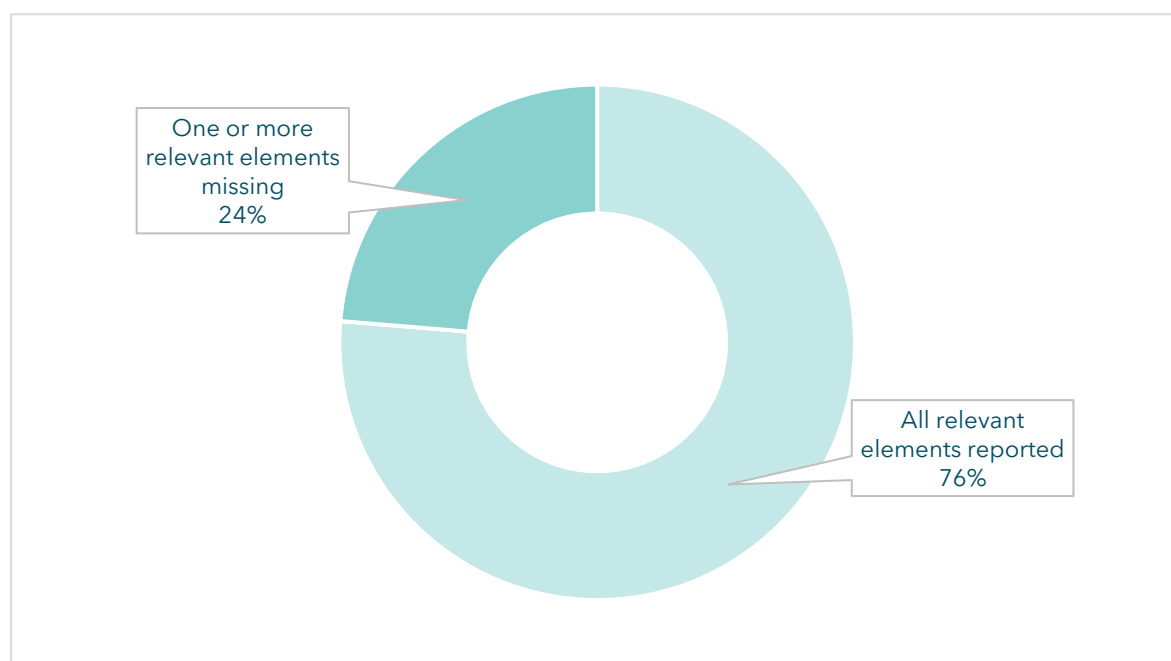
Entity	Requirements for annual report and accounts
States of Jersey	Set out in the Jersey Financial Reporting Manual (JFREM) and to be submitted to the States Assembly by 31 May.
Unlisted companies	<p>Prepare accounts in accordance with 'any generally accepted accounting principles' under Article 105 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 States 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 presented - 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 2021 annual reports

28. More than three-quarters of entities reviewed set out all relevant elements of information on performance, accountability and (where relevant) their finances in single 2021 annual reports (see Exhibit 3).

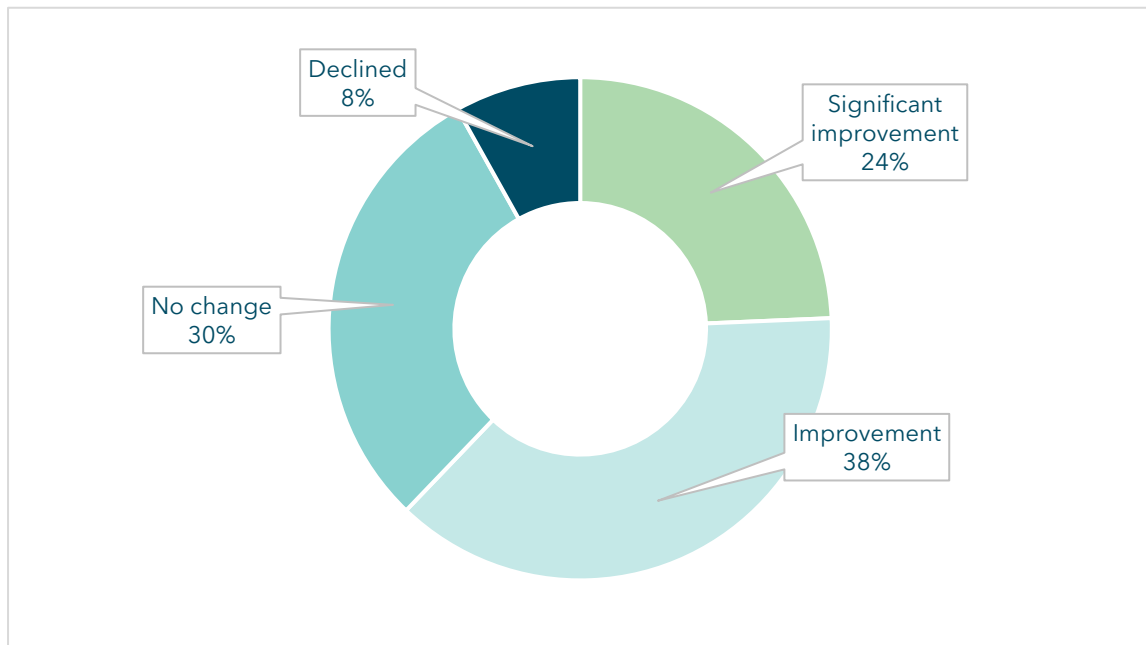
Exhibit 3: Entities including information on performance, accountability and (where relevant) finances in a single 2021 annual report



Source: Jersey Audit Office analysis of 2021 annual reports

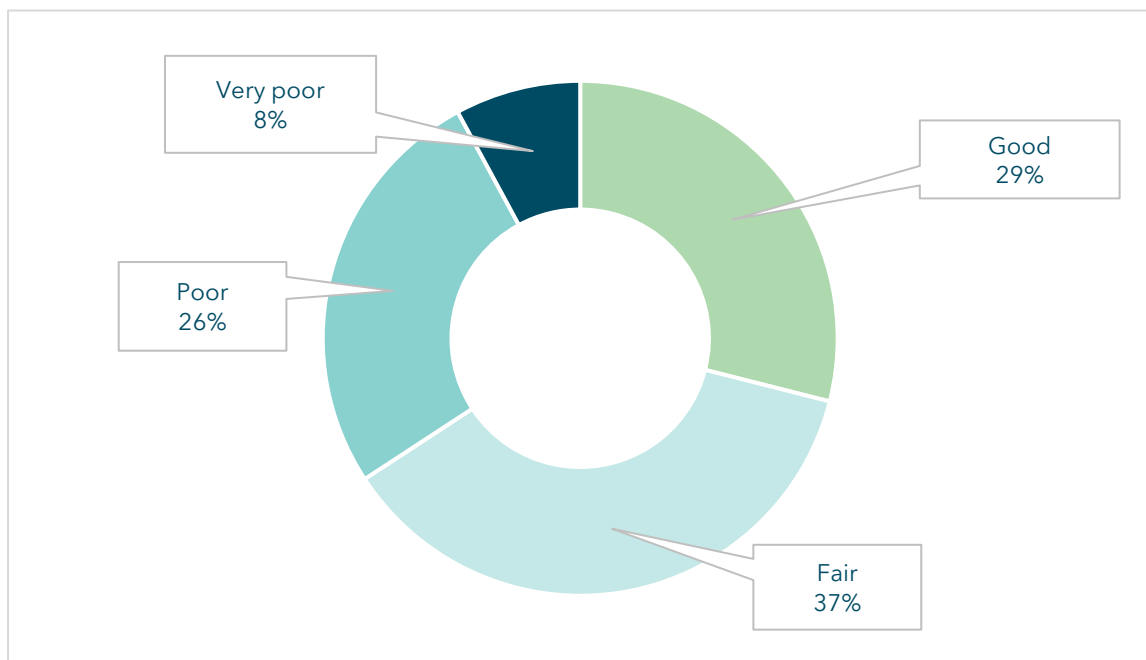
29. Seven entities improved their annual reports for 2021 to include all relevant elements. However, nine of the entities reviewed omitted at least one relevant element.
30. There has been a marked improvement in the overall content of annual reports compared to best practice:
- 62% of entities improved the content of their annual reports, with one quarter making significant improvements (see Exhibit 4); and
 - 66% of entities now produce an annual report with content judged as fair or good compared to best practice (see Exhibit 5).

Exhibit 4: Overall content of annual reports for 2021 compared to 2020



Source: Jersey Audit Office analysis of 2020 and 2021 annual reports

Exhibit 5: Overall content of 2021 annual reports compared to best practice



Source: Jersey Audit Office analysis of 2021 annual reports

31. Most entities made improvements to their annual reports by retaining the same structure as in previous years but including additional good practice content across a range of issues. As a result, some of the structural issues that I reported in previous years are still relevant:

- performance and accountability elements of annual reports are often not easy to identify specifically
- few annual reports provide an overview of key sections to explain their purpose; and
- few performance and accountability reports are signed and dated by the chief executive, accountable officer or equivalent.

32. Some entities restructured their annual reports to present clearly identifiable sections on performance, accountability and the financial statements. Exhibit 6 sets out how three entities made significant improvements in their 2021 annual reports.

Exhibit 6: Entities making significant improvements

Entity	How improvements have been made
<p>Digital Jersey</p>	<p>For 2020 Digital Jersey published an attractively presented Annual Review. The Annual Review comprised:</p> <ul style="list-style-type: none"> • a performance review focussed on the extent to which planned work had been achieved and changes resulting from the COVID-19 pandemic; and • a one-page high-level summary of income and programme expenditure. <p>The 2020 Annual Review did not cover accountability issues.</p> <p>For 2021, Digital Jersey published an Annual Report that was structured around the three elements of good practice:</p> <ul style="list-style-type: none"> • a performance report • an accountability report; and • the audited financial statements. <p>Digital Jersey retained the same attractiveness of design from 2020 and used the new structure to include much of the content set out in my <i>Annual Report Self-Assessment Tool</i>.</p>
<p>Jersey Advisory and Conciliation Service (JACS)</p>	<p>The 2020 JACS Annual Report comprised:</p> <ul style="list-style-type: none"> • a listing of Board members and staff • the Chair’s Foreword; and • the Director’s Report. <p>The Annual Report focussed on activities of JACS during the year with less information about performance and accountability. The audited accounts were published separately as a standalone document. It was well written and included graphs and diagrams.</p>

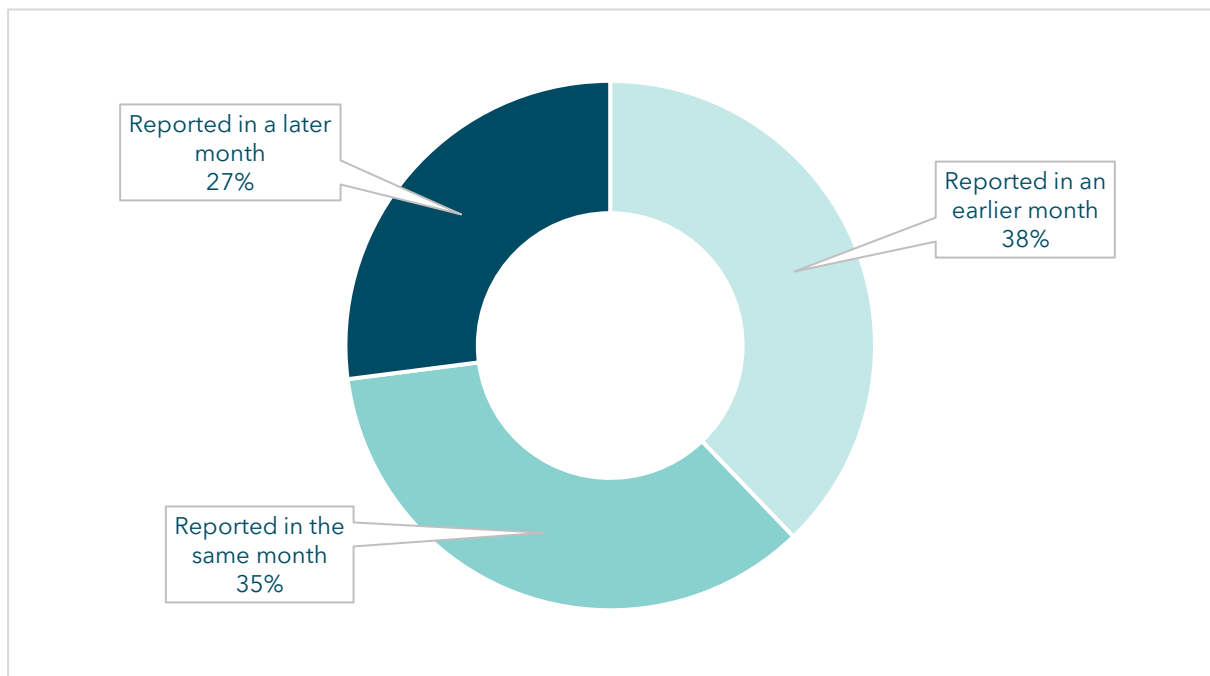
Entity	How improvements have been made
	<p>The 2021 JACS Annual Report kept the same structure as for 2020 and used this to report on the three elements of best practice in a single document:</p> <ul style="list-style-type: none"> • the contents of the Director’s Report were clearly signposted so that the sections that related to performance and accountability could be easily identified; and • the audited financial statements were included as an appendix. <p>The 2021 Annual Report disclosed significantly more good practice content than for 2020. This included information that had previously been documented as part of JACS business planning process such as JACS' overall purpose, its strategic aims and performance against Key Performance Indicators (KPIs). As for 2020, the 2021 Annual Report was well written and included graphs and diagrams.</p>
<p>States of Jersey Development Company (JDC)</p>	<p>The JDC 2020 Annual Report was typical of States of Jersey’s larger corporate subsidiaries. It was attractively presented and included:</p> <ul style="list-style-type: none"> • statements from key board members (Chairman, Managing Director and Finance Director) • reports from key committees (Audit and Risk and Remuneration and Nomination); and • the audited financial statements. <p>The 2021 Annual Report was also presented attractively and, as for 2020, included statements from key board members, reports from key committees and the audited financial statements.</p> <p>The 2021 Annual Report was more focussed on good practice and comprised a three-part structure:</p> <ul style="list-style-type: none"> • strategy and performance • sustainability and governance; and • consolidated financial statements. <p>Within this structure, the 2021 Annual Report included a wide range of additional good practice content. Despite the additional information, the sharper focus of the 2021 Annual Report meant that it was slightly shorter than for 2020.</p>

Source: Jersey Audit Office analysis of 2020 and 2021 annual reports

Timeliness of publication of annual reports

33. There is a mixed picture in respect of timeliness of publication of annual reports for 2021.
34. The general trend for earlier reporting seen for 2020 annual reports continued for 2021 annual reports with 38% of entities reporting in an earlier month compared to 27% reporting in a later month (see Exhibit 7).

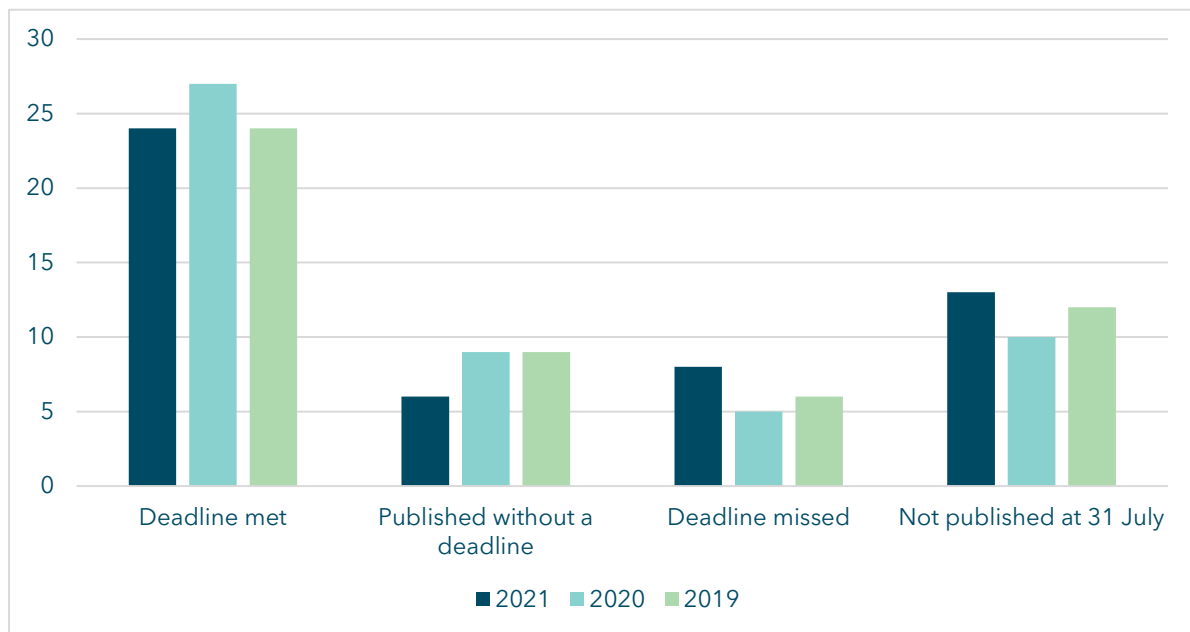
Exhibit 7: Reporting dates for 2021 annual reports compared to 2020 annual reports



Source: Jersey Audit Office analysis of 2020 and 2021 annual reports

35. However, despite this general trend to publish annual reports earlier, more entities missed their deadlines for their 2021 annual reports and fewer annual reports were published by 31 July than has been the case in 2021 and 2020 (see Exhibit 8).

Exhibit 8: Annual reports published within deadlines



Source: Jersey Audit Office analysis of 2019, 2020 and 2021 annual reports

36. The reason for this discrepancy is not yet clear and a range of factors is likely to be involved. Anecdotally, I understand that some entities were taking longer to draft their reports so that they were able to take account of best practice. The election period in 2022 may have delayed the publication of some annual reports.

Performance reports

37. 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.
38. Performance reports that exhibit best practice include the following elements.

Strategy

- a statement of the purpose and activities of the entity, including:
 - a brief description of the business model and environment
 - organisational structure and priorities; and
 - any other organisational strategic objectives and goals
- clarity around purpose, strategic objectives and key programmes/projects
- balanced view of progress against objectives
- details of plans to implement priorities; and
- strategy clearly linked to performance measures and risks.

Risks

- clear articulation of the entity's risk management process
- 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
- risks reflect the external environment and implications for the entity (for example, the COVID-19 pandemic)
- clear links between risks, strategic objectives and the annual report narrative
- quantified risks and realistic planned and implemented mitigations; and

- discussion about how the dynamic of the risk profile has changed over time, including developments in relation to specific risks disclosed.



Operations

- discussion of the different delivery models, the reasons for using these models and how they achieve value for money
- narrative around how business operations support wider States (or other) objectives
- for significant contracted-out services, discussion of how these contracts are awarded and how the entity manages the ongoing contract; and
- consideration of capital investment and how it achieves value for money.



Performance analysis

- a statement from the entity's lead Minister or chief executive, accountable officer 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; and
- graphics used to illustrate performance.



Financial performance

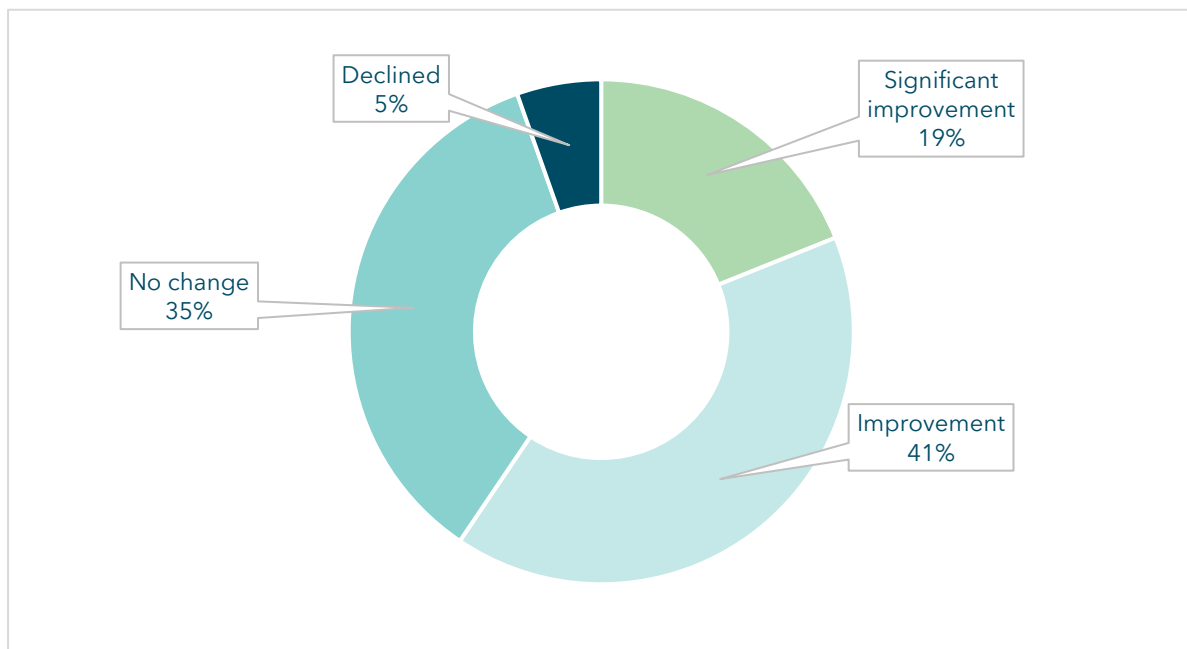
- a financial review detailing financial performance
- a fair and balanced reflection of financial performance which is consistent with the underlying financial statements
- an explanation of the adoption of the going concern basis where this might be called into doubt, for example where there are significant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



External factors

- consideration of the external drivers that influence and impact on current objectives (including factors such as the COVID-19 pandemic and the UK's European Union Exit); and
 - innovative reporting on sustainability and climate change.
39. Last year, I noted that although most performance reports were similar to previous years, several were improved by the inclusion of challenges presented by the COVID-19 pandemic and the organisational response. Discussion of these challenges contributed to more balanced performance reports that set out positive and negative aspects of performance and a fuller analysis of risks.
40. Despite COVID-19 featuring less prominently in 2021 annual reports than in 2020, many performance reports improved further for 2021 (see Exhibit 9).

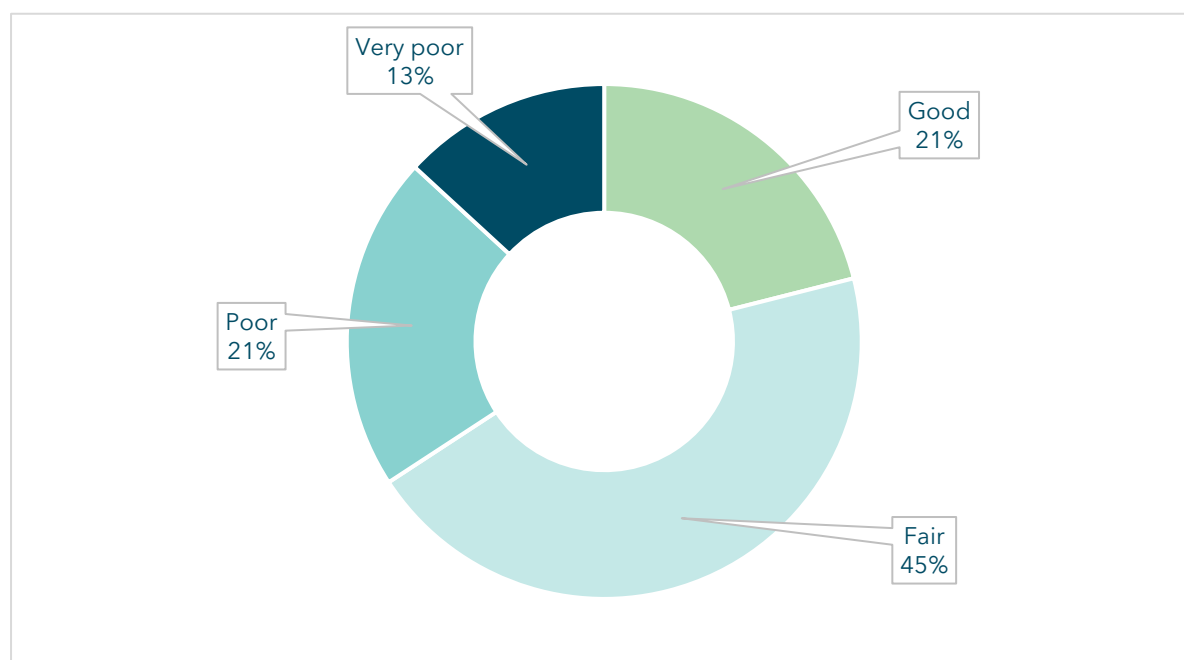
Exhibit 9: 2021 performance reports compared to 2020



Source: Jersey Audit Office analysis of annual reports 2020 to 2021

41. The main areas of improvement in 2021 performance reports were:
- clearer descriptions of organisational priorities
 - fuller discussion of risks facing the entity; and
 - more explicit analyses of performance against priorities.
42. As a result of these improvements, I assessed two thirds of 2021 performance reports as fair or good compared to best practice (see Exhibit 10).


Exhibit 10: Performance reports compared to best practice 2021








Source: Jersey Audit Office analysis of 2021 annual reports

43. There is, however, scope for further improvements to performance reports. The key areas are summarised in Exhibit 11.

Exhibit 11: Performance reports - areas for improvement

Best practice	Areas for improvement
Strategy 	<ul style="list-style-type: none"> • Whilst an increasing number of entities set out their mission and strategic objectives clearly, some still 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 not explicit ○ summaries of progress against objectives are not always provided; and ○ where summaries of progress are provided, they sometimes read like a list of achievements rather than a balanced assessment of whether progress is satisfactory.

Best practice	Areas for improvement
<p>Risks</p> 	<ul style="list-style-type: none"> • Reporting on risks has improved with 80% of 2021 annual reports reviewed now including some information about risk. However, less than half include summaries of both: <ul style="list-style-type: none"> ○ the organisation’s risk management process; and ○ the risks faced and mitigating actions put in place. • Where corporate risks are 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"> • Six of the entities reviewed failed to include any information in their annual reports regarding their operations. • Most entities make some reference to their delivery model but few reports comment on: <ul style="list-style-type: none"> ○ alternative 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"> • For some organisations it is still difficult to understand whether performance has been good, bad, or indifferent: <ul style="list-style-type: none"> ○ some organisations provide no information on how they have performed ○ some do not include any performance measures or analysis ○ others, particularly those with regulatory roles, provide performance information about third parties but provide limited or no information about their own performance ○ not all entities publish KPIs; and ○ where KPIs are published they do not always cover all objectives and are not always commented on. • Analysis and commentaries that are provided typically focus on good performance and less frequently acknowledge areas in which the entity could have done better.

Best practice	Areas for improvement
<p>Financial performance</p> 	<ul style="list-style-type: none"> • It is difficult to establish how much some entities spend or whether their financial performance is reasonable: <ul style="list-style-type: none"> ○ 21% of entities do not comment on their financial performance. This includes some entities that do not publish financial statements; and ○ where entities do comment on their financial performance, this tends to reflect the financial statements and compares performance to previous years rather than to budget.
<p>External factors</p> 	<ul style="list-style-type: none"> • All but three annual reports referred to external factors, with the vast majority referring to the COVID-19 pandemic. Half of entities referred to the climate crisis with some including a report on sustainability. • Although this represents a significant improvement, sustainability reporting is still in its infancy. Few entities used a recognised framework, such as the UN SDGs, to report on sustainability. Several annual reports referred to the Jersey Performance Framework, mostly in terms of developing reporting for future years.

Source: Jersey Audit Office review of 2021 annual reports

Accountability reports

44. Accountability reports should be signed and dated by the chief executive, accountable officer 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.
45. 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.
46. Accountability reports that exhibit best practice include the following elements:



Directors' or equivalent report

- the names of the chairman and chief executive, accountable officer or equivalent
- 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; and
- information on personal data related incidents where these have been formally reported to the Jersey Office of the Information Commissioner or confirmation that no incidents have been reported.



A statement of responsibilities

- an explanation of the responsibilities of the chief executive, accountable officer 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; and
- 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 judgements 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; and
- a summary of any significant lapses of protective security.



A remuneration and staff report

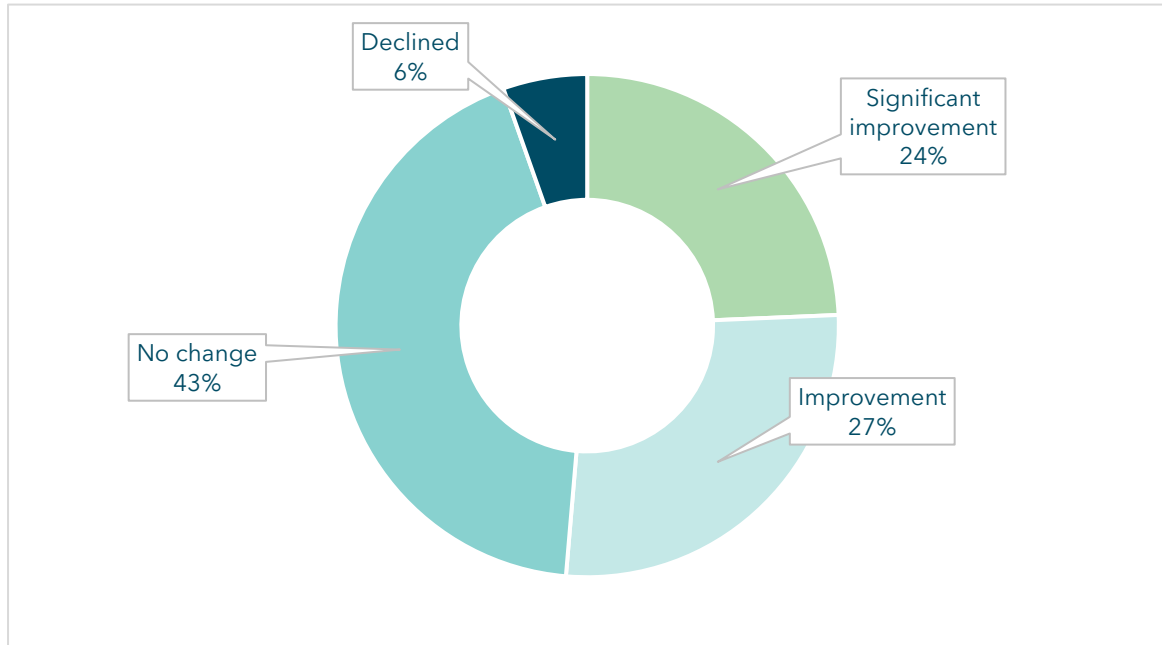
- the policy on the remuneration of directors (or equivalent) for the current and future years
- each component and the overall single total remuneration figure for each director (or equivalent), including:
 - salary and allowances
 - performance pay or bonuses payable

- 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
- sickness 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; and
- exit packages - summary data on the use of exit packages agreed in year.

Accountability report - findings on 2021 reports

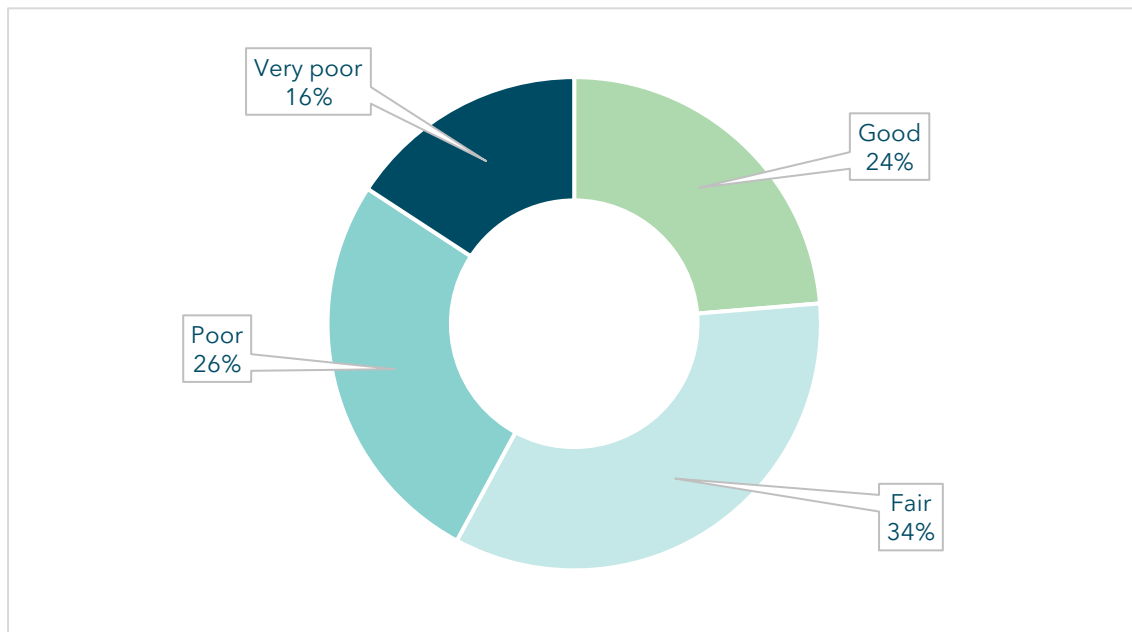
47. Just over half of entities improved their accountability reports (see Exhibit 12). Overall, 58% of 2021 annual reports reviewed were fair or good compared to best practice (see Exhibit 13).

Exhibit 12: 2021 accountability reports compared to 2020



Source: Jersey Audit Office review of 2020 and 2021 annual reports

Exhibit 13: Accountability reports compared to best practice: 2021




Source: Jersey Audit Office review of 2021 annual reports

48. Whilst it is pleasing to see any improvement, the rate of improvement for accountability reports is slower than for other elements of the annual report with more than 40% of 2021 accountability reports reviewed remaining poor or very poor.
49. In particular, staff and remuneration reporting (including disclosure of directors' pay and directors' interests) often falls below best practice. Explanations for not disclosing best practice information included:
- for smaller entities, concerns that personal information could be identified; and
 - for an entity not funded by taxpayers, that it is not relevant to do so.
50. Staff and remuneration reporting is fundamental to ensuring transparency and accountability of public entities. I recognise the difficulty in balancing transparency with protecting information relating to individuals and this is an important area for the States of Jersey to consider. Until the States of Jersey set out their minimum requirements for staff and remuneration reporting, improvements in accountability reports may remain limited.
51. Further details on areas for improvement in accountability reporting, including for remuneration and staffing, are summarised in Exhibit 14.

Exhibit 14: Accountability reports - areas for improvement

Best practice	Areas for improvement
<p>Directors' or equivalent report</p> 	<ul style="list-style-type: none"> • Just under one third of annual reports did not set out the composition of the management board (or equivalent). • Some entities reported on how directors' conflicts of interest are managed, but very few either: <ul style="list-style-type: none"> ○ set out what directors' interests were that might lead to a conflict; or ○ confirmed that there were no such interests. • Similarly, very few entities either: <ul style="list-style-type: none"> ○ provided information on personal data related incidents reported to the Information Commissioner; or ○ confirmed that there had been no such incidents.

Best practice	Areas for improvement
<p>A statement of responsibilities</p> 	<ul style="list-style-type: none"> • Only seven annual reports reviewed included a full statement of responsibilities. 13 did not include any form of statement. • The remaining annual reports did not include specific statements to confirm that: <ul style="list-style-type: none"> ○ 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.
<p>A governance report</p> 	<ul style="list-style-type: none"> • Eight 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 did not disclose any areas of departure from the Code) ○ 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 or confirmation that there were no such lapses

Best practice	Areas for improvement
<p>A remuneration and staff report</p> 	<ul style="list-style-type: none"> • Many remuneration and staff reports continue to fall below best practice standards. Explanations for not disclosing information on remuneration include: <ul style="list-style-type: none"> ○ for smaller entities, concerns that personal information could be identified; and ○ for entities that are not funded by taxpayers, that it is not relevant to do so. • Some entities report information on directors' (or equivalent) remuneration. However, it is not always clear whether all forms of remuneration, such as pensions contributions, compensation for loss of office and other benefits, have been included in the amounts reported. • For 15 annual reports reviewed there is little or no reporting of staff related matters. Where staff related matters are discussed: <ul style="list-style-type: none"> ○ some entities refer to issues such as gender balance, diversity and mental health, but few discuss these issues in depth or provide any information on policies in respect of staff with disabilities; and ○ the data and analysis provided is limited: <ul style="list-style-type: none"> ▪ many entities provide limited or no data on staff numbers and costs, remuneration, staff composition, sickness absence, consultancy costs, off-payroll spending and exit packages; and ▪ a small number of entities now provide some "fair pay" disclosures, such as comparing pay rates between higher and lower paid employees. However, there is inconsistency between the information provided by different entities and few entities include a meaningful discussion of the information provided.

Source: Jersey Audit Office review of 2021 annual reports

Overall Good Practice Principles

52. There are, in my view, four overall principles for good practice in annual reports, as shown in Exhibit 15.

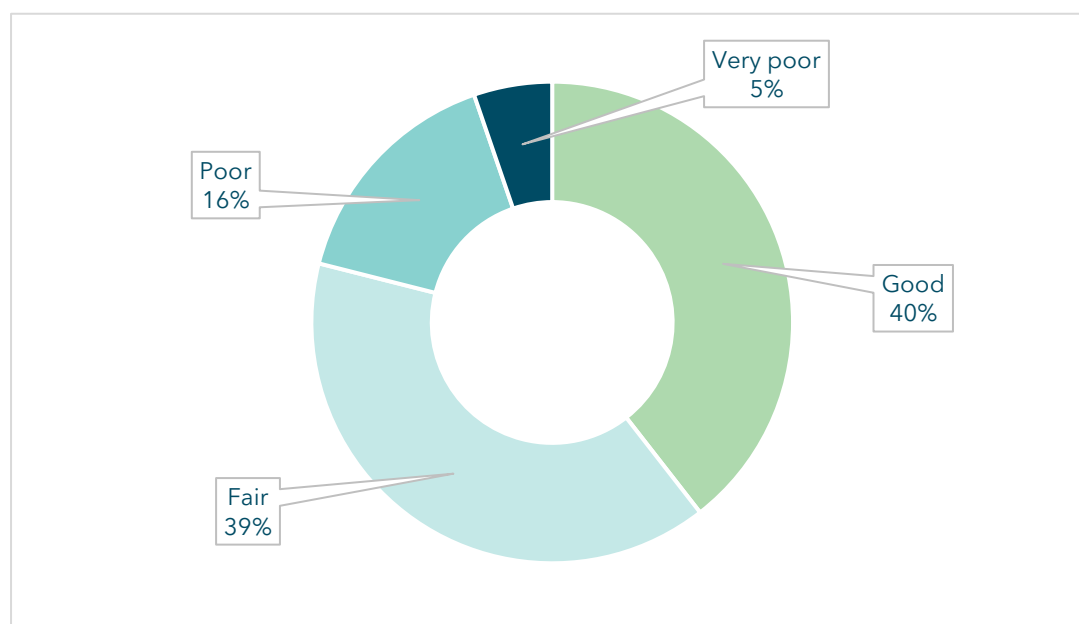
Exhibit 15: Overall principles for good practice annual reporting



Source: National Audit Office Good Practice in Annual Reporting January 2022

53. These principles should be evident across the sections of the annual report.
54. For 2020, 62% of annual reports demonstrated fair or good compliance with best practice principles. For 2021, this increased to 79% (see Exhibit 16).

Exhibit 16: Compliance with annual reporting best practice principles: 2021



Source: Jersey Audit Office review of 2021 annual reports

Supporting Accountability

55. Most annual reports tend to emphasise positive aspects of performance and would tell a more balanced story by discussing areas where performance has been disappointing.
56. Although the requirement for entities to prepare annual reports is generally set out in Jersey legislation, not all annual reports refer to the relevant legislation.
57. Jersey legislation rarely sets the required contents of annual reports. Nor have the States of Jersey otherwise specified their expectations. In the absence of detailed guidance from the States of Jersey:
 - some entities, particularly those with regulatory roles, report on their findings or observations of other bodies, but provide limited information about their own organisation; and
 - some entities note that in preparing their annual report they have considered my *Good Practice Guide*.
58. Most annual reports included actions for future years but these were sometimes not easy to identify or clearly set out.



Transparency

59. Entities could do more to make their annual reports more transparent, for example:
- as for 2020, discussions about challenges were typically focussed around the COVID-19 pandemic and as part of entities' consideration of risks
 - most entities include an array of data in their annual reports. However, few set out KPIs for strategic objectives together with an analysis of performance against targets and commentary on improvements needed; and
 - similarly, whilst most entities refer to risks, the potential impact on strategic objectives is not always described or quantified.
60. I would expect most entities to have information relating to all of these areas available internally as part of reporting on business plans.



Accessibility

61. Of the 2021 annual reports reviewed, 12 contained all elements of good practice in terms of accessibility (eight for 2020). For others, the key areas for improvement are the same as previously reported, the need for:
- 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.
62. I was unable to locate any publicly available accounts (published within their annual reports or elsewhere) for six entities.



Understandable

63. As in previous years, reports were generally well written in plain English. Some entities used infographics to enhance the understandability of the content of the report. There is, however, scope for more entities to adopt this approach to make content more understandable. In one case the language used was overly academic in my view.

64. There is also scope for entities to improve signposting within their annual reports to help readers locate relevant content. This will become increasingly important as entities seek to include more information to meet best practice requirements.

Sustainability reporting

65. As noted in my 2021 report, there has been an increase in sustainability reporting by entities across the world in recent years. However, 2021 research from the Chartered Institute of Public Finance and Accountancy (CIPFA) found that sustainability reporting in the public sector is still in its infancy. CIPFA noted 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'*.
66. As set out in Appendix Three, I made four recommendations for the States of Jersey to implement regarding sustainability reporting. I also encouraged entities to develop the content of annual reports to include sustainability reporting using a framework appropriate to the entity.

States of Jersey

67. Whilst the States of Jersey have started to consider my recommendations, they are still to implement changes to sustainability reporting. The States have not yet:
- 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
 - considered whether the sustainability report should form part of the Annual Report or be a separate report
 - considered the degree of independent assurance that should be provided over the data contained within the sustainability report; or
 - introduced a set of minimum requirements for sustainability reporting by States established and States controlled entities.
68. The States of Jersey Annual Report and Accounts includes an Environmental Sustainability Report. However, this (as its title suggests) only covers environmental issues and does not refer to the other two relevant aspects of the Jersey Performance Framework:
- community sustainability; and
 - economic sustainability.
69. Furthermore, the Environmental Sustainability Report does not follow the structure for environmental sustainability reporting set out in the Jersey Performance Framework or TCFD recommended disclosures.

States established and States controlled entities

70. The proportion of States established and States controlled entities referring to climate or environmental issues doubled from a quarter for 2020 to a half for 2021. However, as I noted last year, entities focussed mainly on their strategies and policies with few entities disclosing the metrics used to assess climate related risks and opportunities.
71. Five entities used a recognised framework (UN SDGs) to report on sustainability performance. One of the five, the States of Jersey Development Company, also reported using the Jersey Performance Framework.

Appendix One

Annual reports and accounts reviewed

The reviews for each year encompassed a desk-based evaluation of the latest published annual reports and financial statements of the following entities available at the time of the fieldwork. For the 2021 annual reports, I reviewed annual reports available at 31 July 2022. The criteria used are set out in Appendix Two.

Entity	Documents reviewed	Years reviewed		
		2019	2020	2021
Andium Homes	Annual Report	✓	✓	✓
Bureau des Iles Anglo-Normandes	<i>Not available in any year</i>			
Care Commission	Annual Report	✓	✓	
Channel Islands Brussels Office	<i>Not available in any year</i>			
Charity Commissioner	Annual Report	✓	✓	✓
Charity Tribunal	Annual Report		✓	
Children's Commissioner	Performance Report	For 2018 to 2019	✓	✓
Complaints Panel	<i>Not available in any year</i>			
Criminal Injuries Compensation Board	Three year report	For 2016 to 2018		
Data Protection Authority	Jersey Office of the Information Commissioner Annual Report	✓	✓	✓
Digital Jersey	Annual report and financial statements		✓	✓
Director of Civil Aviation	Annual Report to the States Assembly	✓	✓	✓

Entity	Documents reviewed	Years reviewed		
		2019	2020	2021
Financial Services Commission	Annual Report		✓	✓
Financial Services Ombudsman	Annual Report	✓	✓	✓
Gambling Commission	Annual Report and Accounts	✓	✓	✓
Government of Jersey London Office	Financial Statements		✓	✓
Independent Prison Monitoring Board	Annual Report	✓	✓	✓
Jersey Advisory and Conciliation Service	Annual Report	✓	✓	✓
Jersey Appointments Commission	Annual Report	✓	✓	✓
Jersey Bank Depositors Compensation Scheme	Annual Report and Audited Financial Statements	For year to 31 January 2019	For year to 31 January 2021	For year to 31 January 2022
Jersey Business	Annual Report and Accounts	✓	✓	✓
Jersey Competition Regulatory Authority	Annual Report and Accounts	✓	✓	✓
Jersey Consumer Council	Annual Report	For 2018	✓	
Jersey Electricity	Annual Report and Accounts	✓	✓	✓
Jersey Employment and Discrimination Tribunal	Annual Report	✓	✓	✓

Entity	Documents reviewed	Years reviewed		
		2019	2020	2021
Jersey Finance	Annual Report	✓	✓	✓
Jersey Law Commission	<i>Not available in any year</i>			
Jersey Legal Information Board	Annual Report and Financial Statements	✓	✓	✓
Jersey Overseas Aid Commission	Annual Report	For 2018	✓	
Jersey Post International Limited	Business Review	For 2018	✓	✓
Jersey Probation and After-Care Service	Annual Report and Strategic Priorities			✓
Jersey Sport	Annual Report	For 2018	✓	✓
Jersey Teachers' Superannuation Fund	Annual Report	✓	✓	✓
JT	Annual Report and consolidated financial statements	✓	✓	✓
Jersey Water	Annual Report and Financial Statements	For year to 30 September 2019	✓	✓
Mental Health Tribunal	<i>Not available in any year</i>			
Multi-Agency Public Protection Arrangements	Annual Report		✓	✓
Office of the Comptroller and Auditor General	Annual Report and Accounts		✓	✓
Police Complaints Authority	Annual Report	✓	✓	✓

Entity	Documents reviewed	Years reviewed		
		2019	2020	2021
Ports of Jersey	Annual Report	✓	✓	✓
Prison Service	Annual Report		✓	
Public Employees' Pension Fund	Annual Report	✓	✓	✓
Public Lotteries	Report		✓	
Safety Council	Financial Statements		✓	✓
States Assembly	Annual Report	✓	✓	✓
States Employment Board	Annual Report	✓	✓	✓
States of Jersey	Annual Report and Accounts	✓	✓	✓
States of Jersey Development Company	Annual Report and Consolidated Financial Statements	✓	✓	✓
States of Jersey Police	Annual Report	For 2018		✓
Statistics Jersey	<i>Not required to produce an Annual Report</i>			
Tenancy Deposit Scheme	<i>Not available in any year</i>			
Visit Jersey	Annual Report and financial statements	✓	✓	✓

Appendix Two

Scoring methodology for 2021 annual reports

Throughout this report I have categorised annual reports as 'Good', 'Fair', 'Poor' or 'Very Poor'. The categorisation is based on the following boundaries:

- Good = 75% or more of the relevant score available
- Fair = 50% to 74% of the relevant score available
- Poor = 25% to 49% of the relevant score available; and
- Very poor = less than 25% of the relevant score available.

The scoring methodology for individual 2021 annual reports is set out in the following tables.

Overall Content

	Criteria	Mark available	Commentary
	Overall Content		
1.	<p>The annual report and accounts include:</p> <ul style="list-style-type: none"> • a performance report • an accountability report; and • the financial statements. 	Up to 3	<p>Good practice annual reports typically set out three distinct sections within the annual report. However, provided all three areas covered and are easily identifiable, alternative structures may be appropriate.</p> <p>As a result, full marks are given provided all three areas are covered and are easily identifiable, irrespective of whether they are presented in three distinct sections.</p> <p>Where entities are not required to publish audited financial statements, one mark is given for providing other relevant financial information (for example income and expenditure statement).</p> <p>Exceptionally, where the entity has no income or expenditure, this section is marked out of two.</p>
	Total for overall content	Up to 3	

Performance Report

	Criteria	Mark available	Commentary
	Performance Report		
2.	Performance reporting is fair, balanced and understandable.	1	
3.	The performance report tells the full story of the entity, including both positive and negative aspects of performance, so that users can have confidence in any judgements and so that it is clear that reporting is trustworthy and transparent.	1	
4.	The performance report is signed and dated by the Accountable Officer or Chief Executive.	1	<p>The overriding purpose of this criterion is for the most senior executive officer to demonstrate their ownership of the performance report.</p> <p>Good practice performance reports are typically set out as a distinct section within the annual report, and this is achieved by the senior executive officer signing and dating the performance report.</p> <p>However, a mark is also awarded where the ownership of performance elements of an annual report has otherwise been demonstrated (for example where the Chief Executive signs and dates the annual report as a whole).</p>
5.	<p>The performance report contains:</p> <ul style="list-style-type: none"> • a statement of the purpose and activities of the entity, including: <ul style="list-style-type: none"> ○ a brief description of the business model and environment ○ organisational structure and priorities; and 	Up to 8	<p>Good practice performance reports include commentary on financial sustainability.</p> <p>However, going concern disclosures in the performance report are only required where, exceptionally, going concern is in doubt.</p> <p>Where there are no apparent going concern issues, the mark available for this section is reduced by one.</p> <p>Exceptionally, where the entity has no income or expenditure, the mark available</p>

	Criteria	Mark available	Commentary
	Performance Report		
	<ul style="list-style-type: none"> ○ any other organisational strategic objectives and goals ● a statement from the entity's lead Minister or Chief Executive providing their perspective on the performance of the entity over the period ● 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 ● 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 ● a performance analysis showing how the entity has performed against priorities (and any other organisational strategic objectives and goals) using qualitative and quantitative information and prior year trend information where possible. Performance data for each of the indicators used to monitor performance against priority outcomes should be provided. Any financial information 		for this section is reduced by one further mark.

	Criteria	Mark available	Commentary
	Performance Report		
	<p>provided should link to the financial review</p> <ul style="list-style-type: none"> • a financial review, detailing financial performance • non-financial information <u>including on issues such as</u> environmental protection, social responsibility, respect for human rights, anti-corruption and anti-bribery matters and diversity; and • information on environmental matters including the impact of the entity's business on the environment <i>and identifying where their performance contributes towards the delivery of Sustainable Development Goals (SDGs).</i> 		
	Total for performance report	Up to 11	

Accountability Report

	Criteria	Mark available	Commentary
	Accountability Report		
6.	The accountability report has been signed and dated by the Accountable Officer or Chief Executive.	1	<p>See item 4 above.</p> <p>The overriding purpose of this criterion is for the most senior executive officer to demonstrate their ownership of the accountability report.</p> <p>Good practice accountability reports are typically set out as a distinct section within the annual report, and this is achieved by the senior executive officer signing and dating the accountability report.</p> <p>However, a mark is also awarded where the ownership of accountability elements of an annual report has otherwise been demonstrated (for example where the Chief Executive signs and dates the annual report as a whole).</p>
7.	<p>The accountability report has at least two sections:</p> <ul style="list-style-type: none"> • a corporate governance report; and • a remuneration and staff report. 	1	<p>Good practice annual reports typically set out corporate governance and remuneration/staffing issues in two distinct sections within a defined accountability report. However, provided both issues are covered and are easily identifiable alternative structures may be appropriate.</p> <p>As a result, full marks are given for this section provided the annual report covers both areas.</p>

	Criteria	Mark available	Commentary
	Accountability Report		
8.	<i>The entity has provided a short overview of these sections and explains how they contribute to the entity's accountability, compare with best practice and compare with corporate governance norms and codes.</i>	<i>No marks awarded.</i> <i>Good practice only.</i>	<p>Good practice accountability reports provide clear signposting that explains the purpose of each section and summarises key issues. This may be less relevant to shorter annual reports.</p> <p>Some corporate governance frameworks (such as the UK Corporate Governance Code) set out specific information that is to be disclosed. Where entities are required (or choose) to follow such frameworks, good practice annual reports set out the requirements and explain how they have been addressed.</p>
9.	<p>The corporate governance report explains the composition of the entity's governance structures and how they support the achievement of the entity's objectives. As a minimum it includes:</p> <ul style="list-style-type: none"> <i>the directors' report</i> <i>a statement of the Accountable Officer's/directors' responsibilities; and</i> <i>a governance statement.</i> 	1	<p>Good practice annual reports, particularly those that include audited financial statements, typically present their corporate governance reports in three distinct sections (a directors' report, a responsibilities statement, and a governance statement). However, some entities may prefer an alternative structure.</p> <p>As a result, full marks are awarded irrespective of presentational style provided that the annual report sets out:</p> <ul style="list-style-type: none"> <i>the composition of the entity's governance structures; and</i> <i>how these structures support the achievement of the entity's objectives.</i>

	Criteria	Mark available	Commentary
	Accountability Report		
10.	<p>The directors' report (or equivalent) includes:</p> <ul style="list-style-type: none"> the names of the Chair and Chief Executive unless disclosed elsewhere in the annual report the composition of the management board (or equivalent) (including advisory and non-executive members) having authority or responsibility for directing or controlling the major activities of the entity during the year. This means those who influence the decisions of the entity as a whole, rather than the decisions of individual directorates or sections within the reporting entity details of entity directorships and other significant interests held by members of the management board (or equivalent) which may conflict with their management responsibilities. Where a Register of Interests is available online, a web link may be provided instead of a detailed disclosure in the annual report; and information on personal data related incidents where these have been formally reported to the Jersey Office of the Information Commissioner or confirmation that no incidents have been reported. 	4	<p>Good practice reports typically disclose this information within a directors' report (or equivalent). Alternative structures may be appropriate.</p> <p>Full marks are awarded where this information is set out in any part of the annual report.</p>
11.	The statement of the Accountable Officer's or Chief Executive's responsibilities includes:	Up to 3	For entities that are not required to publish audited financial statements, second and third bullets not scored

	Criteria	Mark available	Commentary
	Accountability Report		
	<ul style="list-style-type: none"> an explanation of the responsibilities of the Accountable Officer or Chief Executive a statement to confirm that, as far as he or she is aware, there is no relevant audit information of which the entity's auditors are unaware, and that the Accountable Officer/directors 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; and a statement from the Accountable Officer or Chief Executive to confirm that the annual report and accounts document as a whole is fair, balanced and understandable and that he or she takes personal responsibility for the annual report and accounts document and the judgements required for determining that it is fair, balanced and understandable. 		(i.e. scored out of one for first bullet only).
12.	<p>The governance statement includes:</p> <ul style="list-style-type: none"> the governance framework of the entity, including information about the board's (or equivalent) committee structure, its attendance records and the coverage of its work the board's (or equivalent) performance, including its assessment of its own effectiveness 	5	<p>Not all entities are required to comply with a specific corporate governance code.</p> <p>As a result, a mark is awarded for 'an account of corporate governance' provided that there is a meaningful discussion of this issue, irrespective of whether there is a reference to a specific governance code. Where entities are required (or chose) to follow a specific corporate governance code,</p>

	Criteria	Mark available	Commentary
	Accountability Report		
	<ul style="list-style-type: none"> • highlights of board committee (or equivalent) reports, notably by the audit and nomination committees • an account of corporate governance, <i>including the board's (or equivalent) assessment of its compliance with a relevant corporate governance code, with explanations of any departures</i> • <i>information about the quality of the data used by the board (or equivalent), and why the board finds it acceptable; and</i> • a risk assessment, including the entity's risk profile, and how it is managed, including, subject to a public interest test (and where relevant): <ul style="list-style-type: none"> ○ any newly identified risk; and ○ a record of any Ministerial Instructions given. 		<p>good practice accountability reports explain what code has been followed and summarise areas of non-compliance.</p> <p>Information about the quality of the data used by the board is treated as best practice and not scored.</p>
13.	<p>The accountability report includes a remuneration and staff report detailing:</p> <ul style="list-style-type: none"> • 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). <i>The components of the single total remuneration figure are:</i> <ul style="list-style-type: none"> ○ <i>salary and allowances</i> ○ <i>performance pay or bonuses payable</i> ○ <i>non-cash benefits</i> 	Up to 3	<p>A mark for 'each component and the overall single total remuneration figure for each director (or equivalent)' is given where:</p> <ul style="list-style-type: none"> • information is set out in any part of the annual report (for example, some entities may wish to rely on remuneration disclosures included in the financial statements); and • regardless of where directors' remuneration is presented, it is clear that all remuneration for each

	Criteria	Mark available	Commentary
	Accountability Report		
	<ul style="list-style-type: none"> ○ <i>accrued pension benefits; and</i> ○ <i>compensation for loss of office and other severance payments</i> ● <i>the following 'fair pay' information together with prior year comparatives where readily available:</i> <ul style="list-style-type: none"> ○ <i>for each of salary and allowances, performance pay and bonuses payable and non-cash benefits:</i> <ul style="list-style-type: none"> ▪ <i>the percentage change from the previous financial year in respect of the highest paid director (or equivalent); and</i> ▪ <i>the average percentage change from the previous financial year in respect of the employees of the entity taken as a whole</i> ○ <i>the lower quartile, median and upper quartile remuneration of the reporting entity's staff. This is based on annualised, full-time equivalent remuneration of all staff, including temporary and agency staff, as at the reporting date</i> ○ <i>the range of staff remuneration</i> ○ <i>the ratio between the lower quartile, median and upper quartile staff remuneration and the mid-point of the banded remuneration of</i> 		<p>director has been disclosed.</p> <p>A mark for 'fair pay' is given where meaningful information is provided that enables the remuneration of highest paid staff to be compared to the general workforce.</p> <p>Where directors are not remunerated and this is clear from the annual report, this section is scored out of one and one mark awarded.</p>

	Criteria	Mark available	Commentary
	Accountability Report		
	<p><i>the highest paid director (or equivalent); and</i></p> <ul style="list-style-type: none"> ○ <i>an explanation for any significant changes in the ratios between the current and prior year.</i> 		
14.	<p>The staff report includes the following information:</p> <ul style="list-style-type: none"> ● number of senior staff (or equivalent) <i>by band</i> ● staff numbers and costs <i>providing an analysis of staff costs and numbers, distinguishing between:</i> <ul style="list-style-type: none"> ○ <i>staff with a permanent employment contract with the entity; and</i> ○ <i>other staff engaged on the objectives of the entity. For example, short term contract staff, agency/temporary staff, locally engaged staff, overseas staff and inward secondments where the entity is paying the whole or the majority of their costs (where the number of staff under any one category of 'other staff' is significant, that category should be separately disclosed)</i> ● staff composition, providing an analysis of the number of persons of each gender who were directors, senior officers and employees of the entity ● sickness absence data ● staff policies applied during the financial year: <ul style="list-style-type: none"> ○ <i>for giving full and fair consideration to</i> 	Up to 7	<p>Marks are given where information is set out in any part of the annual report. For example, some entities may wish to rely on disclosures included in the financial statements.</p> <p>Provided that the 'number of senior staff' and 'staff numbers and costs' are set out, marks are awarded for these criteria irrespective of whether good practice items in italics are also set out.</p> <p>Similarly, provided that there is meaningful 'discussion of staff policies applied during the year' a mark is given irrespective of whether the items in italics are also set out.</p> <p>The criteria for 'expenditure on consultancy' and 'off-payroll engagements' are best practice disclosures only and are not scored.</p> <p>Where no staff are employed by the entity and this is clear from the annual report, this section is scored out of one and one mark awarded.</p>

	Criteria	Mark available	Commentary
	Accountability Report		
	<p><i>applications for employment by the entity made by disabled persons, having regard to their particular aptitudes and abilities</i></p> <ul style="list-style-type: none"> ○ <i>for continuing the employment of, and for arranging appropriate training for, employees of the entity who have become disabled persons during the period when they were employed by the entity; and</i> ○ <i>otherwise for the training, career development and promotion of disabled persons employed by the entity</i> ● <i>other employee matters - such as: other diversity issues and equal treatment in employment and occupation; employment issues including employee consultation and/or participation; health and safety at work; trade union relationships; and human capital management such as career management and employability, pay policy etc.</i> ● <i>expenditure on consultancy</i> ● <i>off-payroll engagements - summary data on the use of off-payroll arrangements; and</i> ● <i>exit packages - summary data on the use of exit packages agreed in year.</i> 		
	Total for accountability report	Up to 25	

Best Practice Principles

	Criteria	Mark available	Commentary
	Best Practice Principles		
15.	<p>Accountability:</p> <ul style="list-style-type: none"> telling the story of the entity in a fair and balanced way compliance with the relevant reporting requirements; and clear action points to take forward. 	3	
16.	<p>Transparency:</p> <ul style="list-style-type: none"> frank and honest analysis consideration of the challenges the entity is facing appropriate use of data; and quantification of risks and performance measures. 	4	
17.	<p>Accessibility:</p> <ul style="list-style-type: none"> highlights key financial statement trends within the narrative concise summaries of key points; and consideration of how the entity engages with key stakeholders and meets their needs. 	3	
18.	<p>Understandable:</p> <ul style="list-style-type: none"> plain English to explain difficult concepts infographics and diagrams to communicate important messages; and clearly integrated report structure to help users navigate it effectively. 	3	
	Total for best practice principles	13	

Key Focus Areas

	Criteria	Mark available	Commentary
	Key Focus Areas		
19.	<p>Strategy:</p> <ul style="list-style-type: none"> • clarity around purpose, strategic objectives and key programmes/projects • balanced view of progress against objectives • details of plans to implement priorities; and • strategy clearly linked to performance measures and risks. 	4	
20.	<p>Risks:</p> <ul style="list-style-type: none"> • clear articulation of the entity's risk management process • risks reflect the external environment and implications for the entity (for example, the COVID-19 pandemic) • clear links between risks, strategic objectives and the annual report narrative • quantified risks and realistic planned and implemented mitigations; and • discussion about how the dynamic of the risk profile has changed over time, including developments in relation to specific risks disclosed. 	5	
21.	<p>Operations:</p> <ul style="list-style-type: none"> • discussion of the different delivery models, <i>the reasons for using these models and how they achieve value for money</i> • narrative around how business operations support wider 	Up to 4	Mark awarded for discussion of delivery models provided that the discussion is meaningful and irrespective of whether there is specific discussion of the reason for using these models and how they achieve value for money.

	Criteria	Mark available	Commentary
	Key Focus Areas		
	<p>Government (or other) objectives</p> <ul style="list-style-type: none"> • <i>for significant contracted-out services, discussion of how these contracts are awarded and how the entity manages the ongoing contract; and</i> • <i>consideration of capital investment and how it achieves value for money.</i> 		<p>Where there are no significant contracted out services, the mark available for this section is reduced by one.</p> <p>Where there is no capital investment (or any capital investment is not material) the mark awarded for this section is reduced by one.</p>
22.	<p>Governance:</p> <ul style="list-style-type: none"> • narrative which clearly demonstrates the governance structure and tone from the top; and • transparent information about how the board (or equivalent) works effectively to govern the entity. 	2	
23.	<p>Measures of success:</p> <ul style="list-style-type: none"> • quantified key performance indicators (KPIs) aligned to strategic objectives • balanced assessment of goals achieved and performance against targets; and • graphics used to illustrate performance. 	3	
24.	<p>Financial performance:</p> <ul style="list-style-type: none"> • an understandable and fair reflection of financial performance which is consistent with the underlying financial statements; and • discussion of actual performance against expected/budgeted performance. 	2	Exceptionally, where the entity has no income or expenditure, this section is not marked.

	Criteria	Mark available	Commentary
	Key Focus Areas		
25	External factors: <ul style="list-style-type: none"> an annual report that considers the external drivers that influence and impact on current objectives (including factors such as the COVID-19 pandemic and the UK's EU Exit); and innovative reporting on sustainability and climate change. 	2	
	Total for key focus areas	Up to 22	

Appendix Three

Progress on implementing recommendations and areas for consideration from my 2020 and 2021 reports

Recommendation	Progress and current status
Recommendations from my 2020 Report	
Recommendations for the States of Jersey	
<p>R1 Reintroduce the requirement for the Chief Executive to sign the performance report.</p>	<p>Implemented.</p> <p>Performance reports for the States of Jersey Annual Reports were signed and dated by the Chief Executive for both 2020 and 2021.</p>
<p>R2 Introduce a consistent requirement for all States controlled unlisted companies to make their financial statements publicly available.</p>	<p>Not yet implemented.</p> <p>Original target date for implementation of 31 December 2021 deferred to 31 May 2023.</p>
<p>R3 Introduce a consistent set of requirements for the accounting framework to be adopted by States controlled unlisted companies.</p>	<p>Not yet implemented.</p> <p>Original target date for implementation of 31 December 2021 deferred to 31 May 2023.</p>
<p>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.</p>	<p>Not yet implemented.</p> <p>Original target date for implementation of 31 December 2021 deferred to 31 December 2022.</p> <p>Whilst some requirements are captured in the grant appraisal document used within Government, an overall framework has not yet been finalised to implement minimum requirements across entities.</p>

Recommendation	Progress and current status
<p>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.</p>	<p>Not yet implemented.</p> <p>Original target date for implementation of 31 December 2021 deferred to 31 December 2022.</p> <p>Whilst some requirements are captured in the grant appraisal document used within Government, an overall framework has not yet been finalised to implement minimum requirements across entities.</p>
<p>R6 Introduce a requirement for Statistics Jersey to produce an annual report.</p>	<p>Not yet implemented.</p> <p>Legislation to introduce this requirement is being drafted and is planned be considered in early 2023.</p>
<p>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.</p>	<p>Not yet implemented.</p> <p>Original target date for implementation of 31 December 2021 deferred to 31 May 2023.</p> <p>Whilst some requirements are captured in the grant appraisal document used within Government, an overall framework has not yet been finalised to implement minimum requirements across entities.</p>
<p>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.</p>	<p>Not yet implemented.</p> <p>Original target date for implementation of 31 December 2021 deferred to 31 May 2023.</p> <p>Whilst some requirements are captured in the grant appraisal document used within Government, an overall framework has not yet been finalised to implement minimum requirements across entities.</p>

Recommendation	Progress and current status
Recommendations for all entities	
<p>R8 Improve the public annual reporting of performance to include all of the elements of best practice identified in this report.</p>	<p>Not yet implemented fully.</p> <p>Many entities have reviewed the content of their annual reports. Encouragingly, 23 entities attended my workshop on good practice annual reporting and 11 entities requested and received feedback on their 2020 annual reports from the Jersey Audit Office.</p> <p>During 2022, reporting of performance has improved but some performance reports still fall short of best practice.</p>
<p>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.</p>	<p>Not yet implemented fully.</p> <p>Accountability reports for 2021 have improved but most fall short of best practice.</p> <p>Until the States of Jersey specify the content of accountability reports (see R4, R5 and R9), there is a risk that a significant proportion of entities will not implement this recommendation.</p>
<p>R11 Review and update the content of the next annual report to embrace the best practice principles noted in this report.</p>	<p>Not yet implemented fully.</p> <p>Many entities have reviewed and improved their annual reports, but there is more to do to embrace fully all of the best practice principles.</p>
Recommendations from my 2021 Report	
Recommendations for the States of Jersey	
<p>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.</p>	<p>Not yet implemented.</p> <p>Original target date for implementation of 31 December 2021 deferred to 31 December 2022.</p> <p>Whilst action on this recommendation has been deferred I have been encouraged by the ongoing discussions with officers regarding proposed implementation.</p>

Recommendation	Progress and current status
<p>R2 Consider whether the sustainability report referred to in R1 should form part of the Annual Report or be a separate report.</p>	<p>Not yet implemented.</p> <p>Original target date for implementation of 30 April 2022 deferred to 31 December 2022.</p> <p>Whilst action on this recommendation has been deferred I have been encouraged by the ongoing discussions with officers regarding proposed implementation.</p>
<p>R3 Consider the degree of independent assurance that should be provided over the data contained within the sustainability report referred to in R1.</p>	<p>Not yet implemented.</p> <p>Target date for implementation of 31 December 2022.</p> <p>Whilst action on this recommendation has been deferred I have been encouraged by the ongoing discussions with officers regarding proposed implementation.</p>
<p>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.</p>	<p>Not yet implemented.</p> <p>Target date for implementation of 31 December 2023.</p> <p>Whilst action on this recommendation has been deferred I have been encouraged by the ongoing discussions with officers regarding proposed implementation.</p>
<p>Recommendation for States established and States controlled entities</p>	
<p>R5 Develop the content of annual reports to include sustainability reporting using a framework appropriate to the entity.</p>	<p>Not yet implemented fully.</p> <p>Very few entities report on sustainability using an appropriate framework.</p> <p>Until the States of Jersey set out their minimum requirements for sustainability reporting (see R4), there is a risk that entities may not implement R5.</p>

Source: States of Jersey Recommendations Tracker (14 July 2022) and Jersey Audit Office review of 2021 annual reports and papers from the Arm's Length Bodies Oversight Board

Areas for consideration from my 2020 report	Response
<p>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.</p>	<p>The Executive Response noted that The Companies (Jersey) Law 1991 requires the Directors to prepare financial statements for each financial period in accordance with accepted accounting principles. The Executive Response also noted that the majority of States controlled unlisted companies already use the same accounting framework.</p> <p>The Executive Response did not however consider other controlled entities, that are not subject to The Companies (Jersey) Law 1991.</p>
<p>A2 Consider adopting consistent provisions about deadlines for the preparation, submission and publication of annual reports.</p>	<p>The Executive Response noted that:</p> <ul style="list-style-type: none"> • it anticipated that annual reports would be published as soon as reasonably practicable • the States of Jersey had already improved the publication date of their own annual report from May to March; and • similar timely reporting deadlines would be discussed with all arm's-length organisations. <p>There has been a mixed picture in respect of timeliness for publishing 2021 annual reports:</p> <ul style="list-style-type: none"> • more entities published their annual reports earlier compared to those that published their annual reports later • more entities missed their deadlines for annual reporting; and • fewer annual reports were published by 31 July in 2022 than has been the case in 2021 and 2020.

Source: Review of Annual Reporting (R.86/2020): Executive Response and Jersey Audit Office review of 2021 annual reports and papers from the Arm's Length Bodies Oversight Board

Appendix Four

Summary of consolidated recommendations and areas for consideration from my 2020, 2021 and 2022 reports

Recommendations for the States of Jersey

- R1** Finalise and set out minimum requirements for annual reports and accounts for States established and States controlled entities. In doing so, consider:
- setting out different requirements depending on the nature and size of entities
 - specifying minimum requirements for reporting on performance, accountability and finances
 - requiring specific disclosures of remuneration of directors and staff
 - for entities required to publish financial statements:
 - specifying the accounting framework; and
 - specifying the degree of independent assurance that should be provided over the financial statements; and
 - for all entities, setting out the requirements for making the annual report and accounts public.
- R2** Introduce a requirement for Statistics Jersey to produce an annual report.
- R3** Set out a public ambition and timetable for the production of a States of Jersey annual sustainability report. In doing so, consider:
- the Jersey Performance Framework and the Taskforce on Climate-Related Financial Disclosures (TCFD) recommended disclosures
 - whether the sustainability report should form part of the States of Jersey Annual Report and Accounts or be a separate report
 - publishing targets alongside actual performance and comparative data with other jurisdictions where this is available; and
 - the degree of independent assurance that should be provided over the data contained within the sustainability report.

R4 Set out 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.

Recommendation for all entities

R5 Continue to improve annual reporting. In doing so, consider:

- any minimum requirements set out by the States of Jersey
- how to improve reporting on performance, accountability (including director and staff remuneration) and finances
- how to use an appropriate framework to improve sustainability reporting; and
- other good practice and learning from this report and my *Good Practice Guide*.



JERSEY AUDIT OFFICE

LYNN PAMMENT

Comptroller and Auditor General

Jersey Audit Office, de Carteret House, 7 Castle Street, St Helier, Jersey JE2 3BT
T: +44 1534 716800 E: enquiries@jerseyauditoffice.je W: www.jerseyauditoffice.je