



NSW Treasury
GPO Box 5469
Sydney, NSW 2001

Via online portal

Submission to: NSW Treasury consultation on Government Sector Finance (GSF) Act annual reporting proposal

The Australian Institute of Health and Safety (AIHS) welcomes the opportunity to provide a submission into the NSW Treasury consultation on Government Sector Finance (GSF) Act annual reporting proposal.

About us

The AIHS is the peak body for work health and safety (WHS) professionals and practitioners across Australia. We have more than 4,000 individual members, more than 800 of which are based in NSW. Formerly the Safety Institute of Australia, since 1947 we have represented the WHS profession with courage on policy matters. You can learn more about us at www.aihs.org.au.

Introduction

The AIHS supports the initiative to rationalise and update reporting approaches and requirements for NSW Government agencies. We support in principle:

- the five principles, and
- the eight high-level content headings.

The existing WHS annual reporting requirements for NSW departments and agencies are minimal. This means these reforms are a valuable opportunity to create a step-change in how NSW Government departments and agencies reports on WHS matters.

Why are we making a submission?

The effective management and reporting of WHS matters can contribute to public sector success.

Within an organisation, WHS outcomes should be reported at both the managerial and director levels. Board members are to provide strategic direction to organisations and oversee the management of business risks, including WHS.

Under s27 of the NSW WHS Act (2011), officers have duties to take reasonable steps to acquire and keep up-to-date knowledge of WHS matters, and to ensure that duty holders have and implement processes for complying with WHS duties. Annual reports form an important component of these duties.

Externally, public reporting through annual reports plays an important role in building and maintaining community trust, providing confidence to external stakeholders, and for providing transparent information about how the organisation manages WHS risks.

Injury statistics such as workers' compensation claims, lost time injuries (LTIs) and lost time injury frequency rates (LTIFR) have dominated internal management and external corporate reports for decades.¹ This is despite these metrics being widely agreed by the WHS profession as:

- Not being statistically significant, and therefore not providing meaningful data points
- Being easily under-reported or 'gamed', meaning they often don't reflect true injury performance or outcomes
- Not reflecting WHS risk management outcomes
- Not being consistently classified, meaning any comparisons between various settings are erroneous, and
- Not measuring the health and safety of the work environment.

These metrics do not provide a reliable indicator of an organisation's WHS performance.

Today, due to industry inertia, workers compensation system requirements, management system auditing requirements, and other factors, moving the WHS ecosystem and practices away from these metrics is an enormous challenge. Unfortunately, our national WHS policy agency Safe Work Australia still supports the use of these metrics², or at least hasn't agitated strongly for practices to evolve.

In WHS reporting, counting and reporting injuries in this way represents 'lagging indicators'. For many years the WHS profession has been moving towards 'leading indicators', such as risk identification and mitigation activities, training and capability-building activities, and measures representing other preventative efforts. Beyond this, more mature organisations and industries are designing 'positive performance indicators'.

The current requirements for NSW departments and agencies are minimal; just a 'Statement setting out WHS performance' and 'Details of injuries and prosecutions under the Work Health and Safety Act 2011'. We think the NSW Government can do much better.

Other parts of NSW Government already provide positive examples of more advanced WHS measurement and reporting capabilities. The NSW Subjective Wellbeing Pilot³ is one example, focused on NSW citizens. There is no reason why a public service-focused framework could not be established, measuring the health and wellbeing of NSW department and agency workers.

¹ <https://www.safeworkaustralia.gov.au/sites/SWA/about/Publications/Documents/834/Issues-Measurement-Reporting-WHS-Performance.pdf>

² <https://www.safeworkaustralia.gov.au/data-and-research/industry-benchmarking>

³ <https://www.nsw.gov.au/customer-service/publications-and-reports/measuring-subjective-wellbeing>

We urge NSW Treasury to take this opportunity to engage with the WHS profession to develop a modern, nuanced and valuable WHS reporting framework that can support NSW departments and agencies to lead the NSW (and national) industry in WHS reporting. A simple approach could be to develop a table of reporting options, from which departments and agencies could select a minimum number of from various categories. Transparency is key. By providing the framework, department/agency leaders may then be required to justify why other metrics/aspects are not reported on. More mature departments/agencies with greater internal WHS reporting capabilities may seek to report against the full framework, as a WHS commitment to their stakeholders.

Proposed guiding principles

Five principles are proposed to be prescribed in the annual reporting framework to achieve excellence in annual reporting. They are 'Supports accountability', 'Comprehensive', 'Clear', 'Accessible' and 'Consistent'.

Question 1: Will the prescription of principles support excellence in annual reporting? If not, what other approaches would be effective?

We support the notion of principles being prescribed in order to foster high quality annual reporting. However ultimately the robustness and quality of reporting is only ever confirmed through well-design assurance frameworks and processes. We encourage NSW Treasury, and bodies such as the Audit Office of NSW, to consider not just the reporting requirements but also the assurance activities and frameworks that verify and validate these reports.

Question 2: Are there additional principles that should be considered to achieve excellence in annual reporting? If so, what are they?

No comments.

Proposed content headings and potential content elements of an annual report

Eight high-level content headings are proposed to structure the information in agency annual reports. They are 'Overview', 'Strategy', 'Risk', 'Governance', 'Operations', 'Performance', 'Sustainability' and 'Financial Performance'.

Question 3: Do you have any comments on the proposal to prescribe content headings to structure agency annual reporting?

We believe by providing the structure as proposed will assist reporting entities to more consistently and efficiently deliver their annual reports. We note that WHS as a theme could be immersed throughout many of the proposed content sections, including Strategy (where a department or agency has a defined WHS strategy), Risk, Governance (e.g. potentially defining who the organisation considers to be officers under the NSW WHS Act (2011)), Operations, Performance, and obviously within Sustainability. We believe that if the NSW Government has the appetite to achieve a step-change in WHS management and leadership to industry, that a more integrated approach could be taken.

Question 4: Will the proposed framework meet the needs of users? If not, what changes should be made to better meet the needs of users?

We believe that the NSW public and other jurisdictional audiences should be receiving information that truly reflects the WHS risk management and outcomes performance of NSW departments and agencies. We think succinct, representative qualitative information plays a critical role in helping agencies to ‘tell their WHS story’.

There is often a preference to reduce service delivery and other business activities and outputs to quantitative data; numbers bring comfort. As an example, look at the near-obsessive levels the media have framed and reported on the coronavirus pandemic. Rarely are the audience taken behind the numbers to the more complex stories of humanity that give rise to these figures.

Numbers can be misleading, and not every statistic provides readers with value or insights. WHS inherently involves people, and people are more complex than aggregated numbers and charts. We urge NSW Treasury to allow for departments and agencies to use qualitative reporting to ‘tell their WHS story’.

Current prescribed annual reporting requirements

Until the financial year ending 30 June 2022, detailed annual reporting requirements are prescribed in the Annual Reporting Acts, the associated Regulations, Treasurer’s Directions and policies. The Annual Reporting Compliance Checklist includes all these requirements as a guidance document.

Question 5: Do you have any comments on the current annual reporting requirements? What are your comments on how to improve them?

The Annual Report Compliance Checklist⁴ states that for WHS departments and statutory bodies both must report on:

- Statement setting out WHS performance
- Details of injuries and prosecutions under the Work Health and Safety Act 2011

Small departments/statutory bodies need only report on a triennial basis.

We believe the current annual reporting requirements are minimal. We believe most NSW departments and agencies, particularly larger ones, would provide more details than the Checklist requires.

We think these reforms are an ideal opportunity to update and enhance the annual reporting requirements. We believe the best way to do this is by engaging with industry including the WHS profession, as well as SafeWork NSW and Safe Work Australia, to develop a WHS reporting framework. This framework could be used by NSW departments and agencies to develop appropriately detailed WHS sections within annual reports.

⁴https://www.treasury.nsw.gov.au/sites/default/files/2021-09/annual_report_compliance_checklist_sep_2021.pdf

Question 6: Are there any requirements that would be better presented in another format (e.g. on an agency website) instead of the annual report? What are those requirements and why do you think they would be better published elsewhere?

Designing and implementing reporting systems that can capture, verify and display WHS data across timeframes shorter than 12 months can be challenging. We think only high-level information should be provided on public platforms like agency websites, for example quarterly records of serious incidents.

Combined annual reports

Under section 7.10(5) of the GSF Act, two or more Reporting GSF Agencies can combine annual reporting information if the regulations or other legislation or the treasurer’s directions permits. These regulations and Treasurer’s Directions are yet to be developed

Question 7: Are there agencies who you think should be combining annual reports? Why?

Those agencies with similar workforce scales and WHS risk profiles could consider combining annual reports. This means the metrics/qualitative options chosen are representative of both agencies.

Question 8: What potential benefits, in terms of accountability, would there be from combining annual reports? What potential losses, in terms of transparency, might there be?

Depending on how reports are combined, there may be granularity lost in relation to injury/disease outcomes, particularly in smaller organisations. Privacy aspects must be considered here. Another risk in this scenario is the public losing the ability to determine individual agency performance if data are aggregated.

Cost of the annual report

Agencies should prepare annual reports with the least possible cost. There are suggested ways to keep the production cost of the annual report to a minimum by aligning with the NSW Premier’s Memorandum M2013-09 (Production Costs of Annual Reports).

Question 9: Are there any other ways to keep the production cost of the annual report to a minimum? What are they?

We support the digital governance notion of ‘tell your story once’. Using the same data points for multiple purposes, and across multiple reports, will likely realise efficiency gains.

Proposed transitional arrangements

Robust transitional arrangements will facilitate adoption of the new requirements (unless already prescribed by legislation or policy), especially when the agencies prepare their first annual report for the financial 2022-23 under the GSF Act. A flexible approach is proposed for agencies to adopt new requirements while addressing their specific needs.

Question 10: What considerations should be made to ensure a smooth transition to the new reporting framework?

If NSW Government does seek to shift the WHS reporting maturity of departments and agencies, it will likely require supporting capability building programs to help departments and agencies understand the requirements. We believe that many larger departments and agencies would already

have these capabilities and be using them to produce internal reports. An assessment of the current state of departments and agencies reporting capabilities would inform this supporting program. Those departments or agencies that don't have these capabilities would need to be identified and perhaps targeted with dedicated support programs and resources.

We believe that modest support programs could see NSW departments agencies enhance the WHS component/s of their annual reports for the 2022-23 reporting period. Simple workshops or forums could achieve the desired level of capability uplift.

Question 11: Is there anything else you would like to raise regarding agency annual reports and this reform?

No comments.

Conclusion

1. We support the reform efforts to modernise and where appropriate rationalise annual reporting requirements for NSW departments and agencies.
2. We support in principle the five principles and the eight high-level content headings.
3. We encourage NSW Treasury to invest the time to understand WHS risk and outcome reporting theory and industry practices, to lead industry towards a step-change in this neglected area of WHS management.
4. We encourage NSW Treasury to not just focus on the annual reporting requirements, but also how these measures will be verified and validated through well-design assurance activities and frameworks.
5. We encourage NSW Treasury, should they wish to agitate to achieve a step-change in WHS reporting, consider WHS through the various content areas as proposed. In mature WHS reporting contexts, WHS is not seen as a stand-alone management and reporting endeavour. Rather it is embedded throughout the organisation and its various reporting streams.
6. There is often a preference to reduce service delivery and other business activities and outputs to quantitative data; numbers bring comfort. However, WHS inherently involves people, and people are more complex than aggregated numbers and charts. We urge NSW Treasury to allow for departments and agencies to use qualitative reporting to 'tell their WHS story'.
7. AIHS invites NSW Treasury to partner with the WHS community, including the WHS profession, to co-design a much-needed WHS reporting framework that moves beyond workers compensation, notifiable injuries and regulator prosecutions.
8. We urge the NSW Government to invest in capability building programs, such as simple workshops or forums, to support NSW departments and agencies to meet an enhanced WHS reporting requirements for the 2022-23 reporting period. An assessment of departments and agencies' existing annual reports would help inform the development of targeted support, likely to smaller entities with less in-house WHS supporting resources. Many larger entities would likely already be able to meet enhanced requirements, as they likely already produce more detailed WHS reports for internal purposes.

For more information about this submission please contact me at policy@aihs.org.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Andrew Heinrichs', with a long horizontal flourish extending to the right.

Andrew Heinrichs

AIHS Policy Committee Chair