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Integrated Reporting in the European Public Sector: It's time to act!

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Introduction

The European Organisation of Supreme Audit Institutions (**EUROSAI**) and the European Confederation of Internal Audit Institutes (**ECIIA**) are working together to promote good governance, accountability and audit across the European public sector. As a result of this collaboration, we have been working on a common project to determine the extent to which Integrated Reporting has been, or is expected to be, adopted in the European Public Sector¹.

The objective of our work is to identify, share and promote best practices by discovering how various European countries have taken on board the principles of Integrated Reporting. Representatives from across the European public sector have been asked about the extent of their adoption of both non-financial reporting and integrated reporting, including the information they have included

in their Integrated Reports, the extent to which adoption has been voluntary/ mandatory and the standards used. Further information has been gathered on the benefits/ disadvantages that Integrated Reporting brings, the challenges of adopting it and the arrangements for assuring the information contained in the report.

This paper sets out the results of our work to date based on surveys, webinars, research and knowledge gained from our members, public sector practitioners and representatives from the academic world. As well as identifying the situation across the European public sector, a number of inspiring practices have been identified and these are explained in some detail.

<1> This paper has been prepared by a joint EUROSAI/ ECIIA Working Group on Integrated Reporting. EUROSAI was represented by the Supreme Audit Institutions of the Netherlands (lead SAI), Spain and Turkey. ECIIA was represented by the members of the ECIIA Public Sector Committee.

Background

Financial Statements are a well-established and standardised form of reporting. However, to meet the growing demand for more transparency and greater understanding of an organisation's position, performance and potential, traditional financial reporting on historical information is not fit for purpose. There is an increasing demand from both stakeholders and the wider society for organisations to explain both their performance and prospects and, in particular, to demonstrate how they add value. As a result, both the private and public sectors have increasingly provided non-financial information in their annual reports.

EU Non-Financial Reporting Directive

Under EU Directive 2014/95, large companies have been required, since 2017, to disclose

a wider range of information in their published reports on the policies they implement, together with the associated risks and outcomes, in relation to:

- Environment protection (pollution, climate change, etc)
- Social responsibility and treatment of employees
- Respect for human rights
- Anti-corruption and bribery
- Diversity on company boards, ie age, gender, educational and professional background

The focus of this Non-Financial Reporting Directive (NFRD) was on the private sector, driven by the need to respond to climate change, growing awareness of the impact that business has on society and the various corporate scandals that have arisen due to poor governance.

The European Commission has

recently published a [Proposal for a Directive amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation \(EU\) No 537/2014](#), as regards corporate sustainability reporting, which would amend the existing reporting requirements of the NFRD.

The proposal:

- Extends the scope to all large companies and all companies listed on regulated markets (except listed micro-enterprises)
- Requires a general EU-wide audit (assurance) for reported sustainability information. This will help to ensure that reported information is accurate and reliable. Although the objective is to have a similar level of assurance for financial and sustainability reporting, a progressive approach is needed. The Commission is proposing to start

with a 'limited' assurance requirement. If the Commission does adopt sustainability assurance standards, then the legal requirement would automatically become a requirement for reasonable assurance instead of limited assurance. The Commission's proposal allows the Member States to open up the market for sustainability assurance services to so-called 'independent assurance services providers'. This means that the Member States could choose to allow firms other than the usual auditors of financial information to assure sustainability information.

- Introduces more detailed reporting requirements, and a requirement to report according to mandatory EU sustainability reporting standards
- Requires companies to digitally 'tag' the reported information, so it is machine-readable and feeds into the European single access point envisaged in the [capital markets union action plan](#).

Although the inclusion of non-financial information in reports has improved transparency and given a much clearer picture of an organisation's performance and the impact it has on society, the advent of Integrated Reporting has introduced another step change in the development of corporate reporting.

IIRC Framework

In 2013 the International Reporting Council (IIRC) published its voluntary Integrated Reporting Framework. When adopted this enables organisations from all sectors to produce a concise and accessible report on how they create value in the context of their strategy, governance, performance and external environment. The IIRC defines an Integrated Report as, 'A concise communication about how an organisation's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term.'

Non-financial information in the public sector

In recent years, many public sector organisations have also included various types of non-financial information in their annual reports. This is not surprising given the public sector's major and multi-dimensional

impact on society it serves and the vast amounts of resources it deploys.

Typically, non-financial reporting in the public sector covers performance (policy outputs and outcomes), the environment, social responsibility, governance, anti-corruption and fraud. This has included both retrospective and future projected information including how the public sector relates to other organisations in the public value creation chain and how it exercises integrity in its dealings.

Although originally developed in the private sector, Integrated Reporting, which encompasses both financial and non-financial information, is gaining momentum in the public sector with the potential to bring benefits to the citizens it serves.

Integrated Reporting in the public sector is intended to meet the broader information needs of all stakeholders, not just the financial requirements. Such reporting may include both retrospective and prospective information covering:

- Both intended and unintended outcomes and outputs
- Sustainable development

- Other organisations in the public value creation chain

In the context of the public sector and for the purposes of this paper, we have defined Integrated Reporting as, 'A form of reporting which extends the scope and content of public sector reporting beyond the traditional financial, non-financial and compliance driven requirements to show concise and connected information on how organisations utilise their resources and stakeholder relationships to create public value in the short, medium and longer term.'

Although Integrated Reporting is relatively immature in the European public sector, the arguments for considering its adoption are compelling. Public Sector organisations are increasingly being challenged to maintain/ improve services with the same/ reduced resources in a sustainable and socially responsible way. Integrated Reporting's emphasis on longer-term value creation can help meet this challenge by promoting better decision-making, providing greater transparency, improving accountability and building trust with the public. It provides information on a range of issues that materially impact the organisation's ability to

create value over time, with the potential to help sustain public confidence and improve governance, policies and services.

Survey Results

Introduction

To help us assess the current picture the first step in the project was to gather information on the extent to which both non-financial and integrated reporting have been adopted in the European public sector and, where one or both have been adopted, what standards, guidance and processes have been used and what audit roles can be identified. For this purpose, we prepared a survey which was circulated to member states.

The survey was divided into three parts, the first dealing with non-financial reporting, the second with general questions on integrated reporting and the third with more detailed questions on integrated reporting. There were 66 completed or partially completed responses from 28 member states.

From left to right: non-financial reporting, integrated reporting general and specific. In appendix 2 you can find further details of the current situation in some countries: The UK, The Netherlands, Italy, Belgium and Spain.

Directive 2014/95/EU – Disclosure of non-financial and diversity information

The first question in our survey sought to find out if, and to what extent [Directive 2014/95/EU](#) has been adopted by the European public sector.

Directive 2014/95/EU is an EU legislative proposal. It necessitates greater transparency from the largest European organizations with regard to their non-financial information (see details on page 5).

Although the legislative proposal

is aimed at the private sector, it was interesting to know the extent of its adoption in the public sector.

- 69% of the member states surveyed have incorporated Directive 2014/95/EU to the same extent into national legislation. Only Spain has incorporated the Directive more rigorously into its national legislation.
- With regard to non-financial reporting, there is no spe-

cific obligation for the public sector in 62% of the surveyed countries. In Belgium, Czech

Republic, Lithuania, Malta and The Netherlands there is a specific obligation.

We believe that if European legislation specifically referred to

the public sector, it would boost the adoption of non-financial reporting within this sector.

Non-financial information – Types of information included

Responses to the survey showed that environmental protection and social responsibility are the main types of non-financial information included in annual reports by public sector entities. However, we understand from our research that performance information, ie policy outcomes and outputs, has been published for a number of years and is still becoming increasingly important.

The same questions have been posed at the webinar¹ and the environment protection has been confirmed as the top priority to include in the non-financial reporting, followed by the anti-corruption and bribery information and by the social responsibility.

Integrated Reporting

45% of the survey respondents confirmed publication of Integrated Reports by public entities in their countries. These member countries include Belgium, Czech Republic, Germany, Italy, Latvia, Luxembourg, Netherlands, Spain and the UK. This



<1> Two webinars organised in September and December 2020: [information on eciiia.eu/events](https://eciiia.eu/events).

is a highly encouraging percentage, given the absence of a specific legal obligation.

Although there are integrated reports below national level within the public sector of the aforementioned countries, it does not mean that it is common practice. However, these countries can be highlighted as examples of good practice and more detail can be found in the annex.

Benefits of Integrated Reporting

According to the respondents, the most prominent, tangible benefits of integrated reporting are the “improvement of transparency” (81%), followed by “fostering communication with external stakeholders” (59%), both fundamental issues in the public

IR has an impact on the strategy, we look at broader dimensions and audit adds value, viability and visibility.

Jan van Schalkwyk
Corporate Executive Office Auditor General
South Africa

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sector that help bring the public function closer to citizens.

Standards/ Guidance Applied

In relation to the standards/ guidance used, four were earmarked: IIRC, GRI, United Nations Pact and the United Nations Sustainable Development Goals.:

- **IIRC, International Integrated Reporting Council** is a global coalition of regulators,

investors, companies, standard setters, the accounting profession, academia and NGOs. The coalition promotes communication about value creation as the next step in the evolution of corporate reporting. International <IR> Framework.

- **GRI, Global Reporting Initiative**, their mission is to enable organizations to be transparent and take responsibility for their impacts, enabled through the world's most widely used standards for sustainability reporting - the GRI Standards.

- **The United Nations Global Compact** is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals.

- **The Sustainable Development Goals** are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice.

Far from being incompatible, these four standards/ sets of guidance are complementary.

Entities can start with a decision to adhere to the United Nations Global Compact, choosing those Sustainable Development Goals –to be implemented prior to 2030 - that are most in line with their particular activity. These can be supplemented by GRI indicators. Subsequently, entities can move on to the Integrated Report using the IIRC framework, where the SDGs are specified with the GRI indicators, while at the same time informing stakeholders of how they add value in the medium and long-term.

The use of the IIRC framework is somewhat greater in integrated reporting; this is not surprising given that it is specifically designed for this type of reporting.

Regarding non-financial information, the survey results show that the four standards/ sets of guidance have a similar percentage of adoption with some countries using their own national regulations.

Audit of Non-financial Information and Integrated Reporting

An important point for both internal and external auditors is a 'recommendation or obligation' to audit these reports. One of the survey questions posed was whether or not it was mandatory to audit non-financial information. 41% of the respondents answered 'yes' to audits being mandatory with 48% answering 'no'. Survey responses showed that the role of external auditors in relation to integrated reporting in the public sector is an advisory one in 39% of EU countries and in the case of internal auditors, 46%. The role of an assurance provider is 31% for external auditors and 27% for internal auditors.

We believe that when the use of both integrated and non-finan-

cial reporting becomes more widespread, auditing practice will develop further. The current consultations at European level and the European regulation program in terms of corporate sustainability reporting, governance and taxonomy will accelerate the development of authoritative auditing standards for non-financial information.

This in turn will promote greater confidence at non-financial reporting the public sector.

We anticipate that the role of the auditors may vary according to the degree of maturity. Upon implementation, an advisory role is usually adopted, identifying

risks in addition to relevant and key data in reports. Following implementation, a move towards an assurance role can be adopted: auditing the data collection processes; finding a balance between transparency and conciseness; reporting and finally, responsibility lines.

Examples of Good Practice

In appendix, good practices in different countries are described and the main practices are summarised below.

Germany

The federal government issues a reporting for state owned companies and other state participations that includes non-financial information, e. g. gender equality and sustainability.

The public administration in Germany provides non-financial information in their annual re-

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ports, mainly regarding the performance.

The government also aims to extend non-financial reporting in accordance with the German sustainability codex (DNK) for all public entities.

The Netherlands

In The Netherlands, public entities include a broad range of non-financial accountability information in their annual reports, predominantly relating to performance and operational management.

So far, Integrated Reporting is mainly practiced and developed by public entities on sub-state levels: state participations, business-like entities such as energy companies owned by municipalities and independent education entities. In addition, the Nether-

lands Court of Audit has published its second annual integrated report on 19 May 2021 ('Accountability Day'). It wants to promote the still uncommon practice of integrated reporting by government entities through leading by example, connecting its use of public money and results achieved and strengthening its accountability for its value and benefits for citizens.

Italy

In Italy, public entities include a broad range of non-financial accountability information in their

You would think that politics and government are primarily interested in creating value in the broadest sense of the word. It would be interesting to establish the connection between the use of public money, the policy objectives, the measures that are taken and the social effects to be achieved. A development so to keep an eye on; integrated reporting by the government².

Arno Visser
President of The Netherlands Court of Audit


<2> High-level meeting Sharaka, 17-10-2018.

annual report. The specific content and form may vary per sector.

Several non-listed companies owned by public administration (Poligrafico e Zecca dello Stato/ Italian Mint, SOGEI, CONSIP, RAI, etc.) have been issuing a Non-financial reporting on a voluntary basis, since 2018.

France

A circular from the Prime Minister, dated February 25, 2020, is related to the State's commitments for eco-responsible public services. The system includes 20 State commitments in the following areas: mobility of agents, elimination of single-use plastics, responsible purchasing, environmentally friendly food, reduction of consumption of 'energy, elimination of plant protection products, use of circular economy, control of the digital carbon footprint

Spain

There are new experiences in the administration or in other public entities, in the field of new information systems being tested regarding non-financial information (focus on objective budgeting, charts of services and performance indicators).

With regard to integrated information, the most significant experiences are in public companies and universities.

The main challenges

2. Advantages of IR

Based on the discussions held during the webinars, we have listed below the main advantages identified by the entities using the integrated reporting framework:

The main challenges are the integration of the different dimensions, the level of maturity, the digitalization, the lack of harmonization and the lack of resources.

Prof Vicente Montesinos
Professor Emeritus, Accounting Valencia University, Spain

The main challenge is integrated thinking, it is a huge cultural change! We need clear management goals with multi capital focus in a proactive environment

Prof Adriana Tiron Tudor
Full Professor, Phd Supervisor in Accounting and Audit, Faculty of Economics & Business Administration, Babes Bolyai University, Romania

- Brings perspectives on future and shared value creation: how strategy, governance, results and future prospects create value in short, medium and long term
- Helpful to fight against fraud and corruption, it improves prevention
- Useful for the society as a whole: government, citizens, all stakeholders
- Improves accountability and decision making to strengthen the relations with stakeholders, politicians

Based on the discussions during the webinars, the main recommendations are the following ones:

3. Recommendations for IR

Implementing integrated reporting is a long journey as it is not just about new process, new reporting but also a new culture.

During the webinars organized, the following recommendations were made:

Integrated reporting facilitates long term value creation, better decisions and provides transparency while supporting sustainable governments... It improves public services.

Melvyn Neate
ECIIA PS Committee Chair

- It is important to define data that:



can be measured



can be reported



are needed

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- We must combine the use of the Push effect (provide information to the stakeholders on information relevant to the organization) and the Pull effect: provide information that is useful, give benefits to the users
- Collaboration between various actors (environment, social human rights, anti corruption specialists) is key for Non Financial and Integrated reporting, we need to align efforts, strategy, planning, methodology. The Assurance map can be a useful tool to define roles and responsibilities. A strong coordination between the various actors is needed!
- Internal audit can play various roles; ambassadors, advisors and assurance providers

- The key role for External Auditors is to promote the new dimension of Public Sector accountability, to be a sparring partner, to develop methodology and to disclose key audit matters
- Link financial aspects, compliance and non financial dimensions
- New skills will be needed and training for auditors must start as soon as possible

Conclusion

Public entities in Europe have started their Integrated Reporting journey, and auditors are on board!

The previous analysis and good practices show that Integrated Reporting is gaining ground across the European public sector. Important drivers of this promising trend are the rise of non-financial reporting in both the private and the public sector, the call for governments to lead

by example by being accountable and transparent about the full scope of their resources, achievements and impacts. and the adoption of the Sustainable Development Goals for a better world.

As two umbrella organizations of the European audit profession, EUROSAI and ECIIA are fully committed to supporting the further development of Integrated Reporting in the European public sector. Integrated Reporting fosters, supports and reflects an integrated approach to decision making, a long term perspective on public value creation, and a connection of dimensions of public accountability.

We believe that the further development of IR for any public entity would benefit from a continuous stakeholder dialogue on the entity's public responsibility: what are its formal duties to supervisors and society, what do stakeholders and society at large ex-

pect from it, and how does it perceive its responsibility to those parties? And how do these types of responsibilities interrelate – now and in the future? The result of this dialogue – an integrated, dynamic articulation of the core responsibilities for the public entity - constitutes the basis and focus for integrated thinking and integrated accountability. Integrated accountability in its turn carries and fuels IR - as a comprehensive, concise and connected public value creation story.

Such a story will only be valuable in the eyes of the public if it is told in a fair and balanced way: not only presenting the good news, but also revealing failures, dilemma's and areas of improvement and confronting realization with expectations – explaining the differences. This requires an ethical and open culture and a learning attitude, promoted by the right tone at the top and in the middle. An honest

and credible report will probably be rewarded by a constructive reaction from the audience.

Both external and internal auditors can deliver a triple A-contribution to the further development of IR along these lines: as advocates, advisors and assurance providers.

Thank you!

We would like to thank the **ECIIA-EUROSAI Working Group members, the ECIIA Public Sector Committee members and the speakers & participants to the webinars for their input and experience.**

Appendix

Appendix I

The following graph shows the responses from each of the surveys, indicating the organisation to which the respondents belong. Please note that there are multiple responses in those cases where the organisation could not be identified and therefore are not included in the following table.

Appendix II

Details of the current situation in some countries: The UK, the Netherlands, Italy, Belgium and Spain.

Germany

Public entities in Germany exist on federal level, state level and local level. These state-controlled public entities underlie legal principles and frameworks that affect the non financial reporting such as human rights, integrity and social standards.

The public entities include information on non financial aspects in their annual reporting. As the type of entities vary there is a broad range for providing non financial information and the specific form and content.

On federal level all state controlled public entities are bound to the Public Corporate Governance Codex.

Such a framework also exists in

some of the states and on local level. The federal government issues a reporting for state owned companies and other state participations that includes non financial information, e. g. gender equality, sustainability („Beteiligungsbbericht“). The government also aims to extend non financial reporting in accordance to the German sustainability codex (DNK) for all public entities. The DNK provides a framework for a standardized reporting on sustainability. Based on 20 criteria the entities have to declare how they implement sustainability.

There are also public entities that are affected by EU directive 2014/95 and therefore report on corporate social responsibility (CSR).

The public administration in Germany provides non financial information in their annual reports, mainly regarding the performance. The German ministry of the interior provides an

annual report on integrity in the federal administration. Internal audit units in the federal administration are involved in the data collection and reporting to the ministry.

The Netherlands

“In The Netherlands, public entities include a broad range of non-financial accountability information in their annual reports, predominantly relating to performance (task execution and implemented policy) and operational management. The specific content and form may vary per sector.

EU directive 2014/95 on non-financial and diversity information also affects parts of the public sector – including public interest entities (pension funds, housing corporations, energy network operators, and three research entities in the policy field of education) and state participations

(including both majority and minority participations).

Integrated Reporting is mainly practiced and developed by public entities on sub-state levels, such as:

- business-like entities like energy companies owned by groups of municipalities (e.g. Stedin, Eneco) or by individual municipalities (e.g. the GVB – the public transport company of Amsterdam);

- state owned companies and other state participations (like ABN AMRO, Royal Schiphol Group, Port of Rotterdam Authority, and Tennet);

- independent public entities (like 'Avans' - a University of Applied Science').

For state owned companies and other state participations, the Ministry of Finance representing the State as shareholder requires these companies to account for their compliance

with the Dutch Corporate Governance Code, which stipulates that companies should report on their long term value creation.

The Port of Rotterdam Authority explicitly states in its annual report its ambition to follow the IIRC- framework as close as possible. Their report includes a combined auditor's opinion on the financial statements and the most relevant sections of the management report.

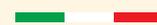
There is a 'Transparency Benchmark' and a related award ('Kris-talprijs') by means of which the Ministry of Economic Affairs, supported by the Dutch Institute of Chartered Accountants (NBA), stimulates transparent reporting by companies – including companies fully or partially owned by the State and/or municipalities. The criteria include the main elements of integrated reporting. The Royal Schiphol Group has won the 2019 award.

In May 2018 The Netherlands

Court of Audit, in its main umbrella report on central government accountability, encouraged ministries to develop integrated reporting. In August 2018 the president of the NCA has published a blog on this topic. Since then, the NCA has repeated this message at various occasions. It pursues to lead by example by publishing an integrated report itself – so far the only initiative on the state level.

The NCA and Parliament have asked the government to integrate the so-called 'Broad Prosperity Monitor' (including SDG's), published by the National Statistics Office, into the formal policy and financial decision-making and accountability cycles and documents."

Italy



In Italy, public entities include a broad range of non-financial accountability information in their annual report. The specific con-

tent and form may vary per sector.

Since 2018, the Ministry of Economy and Finance has been reporting to the Parliament on “Equitable and Sustainable Well-being indicators”, in conformity with the Law, on the basis of the effects of the latest “Budget Law”, with the aim of evaluating the progress of society not only from an economic, but also from a social and environmental point of view.

Social reporting in the public sector is based on a directive of 2006 (Ministry of Public Function) having the purpose to spread development of transparency and accessibility of public utility through a Social Report. e.g. According to the Italian legislative decree 254/2016, starting from 2017 INPS (National Social Security Institute) now draws up yearly the Non-Financial Statement that may be considered as Non-Financial ac-

countability report.

The INPS Non-Financial Statement brings to the attention of citizenship all social and anti-corruption results achieved by its activity even on a local level; owing to the features of INPS mission, as of human rights and environmental matters no document is available yet.

In addition, other public entities (such as the Revenue and Land Registry Agency, etc.), have been issuing a Non-financial reporting on a voluntary basis, since 2018.

EU directive 2014/95 on non-financial and diversity information also affects parts of the public sector – including public interest entities (companies issuing securities listed on a regulated market in Italy or the European Union, banks, insurance companies and reinsurance companies which have exceeded at least two dimensional limits, at the balance sheet date: more than 500 employees and a balance

sheet total of € 20,000,000 or, in alternative, a total net revenues from sales and services of € 40,000,000) and state participations (including both majority and minority participations).

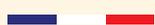
This report contains information to the extent necessary for an understanding of the undertaking’s development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters.

During 2019, 151 Italian companies published NFR. A single document (integrated reporting) was prepared by 11 of them, which includes both financial and non-financial data. Around 30 of these companies have significant shareholding owned by public administrations or other public enterprises.

In addition, the legislative decree 175/2016 established that

non-listed public companies (state/local government owned companies and other state/local government participations) should evaluate the opportunity to integrate the corporate governance tools with the corporate social responsibility programs, in accordance with the size and organizational characteristics as well as the activity carried out by companies and the recommendations of the of the EU Commission. Therefore, several non-listed companies owned by public administration (Poligrafico e Zecca dello Stato/Italian Mint, SOGEI, CONSIP, RAI, etc.) have been issuing a Non-financial reporting on a voluntary basis, since 2018.

France



In France, in accordance with the provisions of the organic law on finance laws (LOLF) which entered into force on January 1, 2006, annual performance

reports (RAP) report on the execution of commitments made directly by the ministries - and indirectly, in turn, by their public establishments and operators - in the annual performance projects (PAP) in terms of strategies, objectives and associated performance indicators. Thus, PCRs respond to the need to replace a culture of resources with a culture of results at all levels of public management and the democratic requirement to account to citizens and taxpayers for the use of public finances. Depending on the public policies on which they report, these reports include a more or less wide range of extra-financial information meeting requirements in terms of social, environmental or societal behavior.

Three types of objectives express the strategic priorities of public policies, according to the point of view of the citizen, the user or the taxpayer:

- socio-economic efficiency objectives which express the expected benefits of public policies for the citizen;
- quality objectives of service to the user;
- efficiency objectives that account to taxpayers for the quality of the management of State resources.

A similar approach applies to State operators who commit themselves in terms of results to their supervision by co-signing a multi-year performance and objectives contract (COP) whereas previously a contract of 'objectives and means. Extra-financial performance objectives may be included.

As examples and because, of course, the state applies them to its own structures:

- the policy of reducing waste production and developing its recovery (reuse, recycling, energy recovery)

is, with technical support from ADEME, part of the 2014-2020 waste plan and the more general framework of the circular economy policy put forward by the energy transition law for green growth (LTECV) of 2015 and the roadmap for the circular economy published by the government in 2018;

- as part of the energy transition financing policy, the energy-climate bill (LEC), adopted on September 26, 2019 by the Parliament, constitutes a new major step in the fight against climate change with the inclusion in the law of a gradual phasing out of fossil fuels (objective of reducing fossil fuel consumption by 40% by 2030 and phasing out coal in electricity production by 2022), combating nuclear thermal, the implementation of new management, governance and evaluation tools for climate policy and regulation of the electricity and gas sector;

- the water management and protection policy is based on the provisions of the framework directive on water (WFD) of 23 October 2000 and the law on water and aquatic environments of 30 December 2006 (law LEMA) which set objectives for the protection and restoration of water quality and aquatic environments;

- the biodiversity policy is embodied in management and mobilization tools as well as action programs.

Thus, the national strategy for biodiversity (SNB) adopted in 2010 for the period 2011-2020, gives concrete form to France's implementation of the Convention on Biological Diversity (CBD) and its objectives;

- the annual report on equality, resulting from decree n° 2013-1313 of December 27, 2013, contains a selection of statistical data concerning gender equality and a presentation of the mea-

sures implemented to ensure professional equality between women and men. Based on indicators common to the three sides of the civil service, it presents the respective situation of women and men in terms of recruitment, professional training and promotion, working conditions, remuneration, pensions and employment.

- articulation between professional activity and personal life;

- the establishment of labels in which public entities are encouraged to participate is part of a virtuous approach aimed at recognizing extra-financial performance in its various dimensions and promoting the circular economy:

- Created in 2004, the "Professional equality" label aims to promote equality between women and men, as well as professional diversity;
- Created by decree in 2008,

the “Diversity” label aims to prevent discrimination and promote diversity. The dual “Diversity - Professional Equality” label is encouraged:

- Awarded since 2012, the “Responsible Supplier Relations and Purchasing” label aims to distinguish organizations committed to the implementation of sustainable and balanced relationships with their suppliers;- Since 2008, during the Grenelle de l'Environnement, the State has taken eco-responsible initiatives, then within the framework of the exemplary inter-ministerial Administration plan (2015-2020) developed by each ministry. In 2020, this dynamic took a new step forward with eco-responsible public services.

A circular from the Prime Minister, dated February 25, 2020, relating to the State's commitments for eco-responsible public

services, updates the exemplary Administration approach of 2008, until now mainly top-down through a participatory approach of facilitation and promotion local projects. The scope of the system is extended to all government services, its public establishments and its operators. Until then optional, it becomes compulsory for all, with integration of the objectives in the COPs of public establishments and operators. Local authorities, their groups and hospitals can join this system on a voluntary basis. The system includes 20 State commitments, of compulsory application and which are expressed in the following areas: mobility of agents, elimination of single-use plastics, responsible purchasing, environmentally friendly food, reduction of consumption of 'energy, elimination of plant protection products, recourse to the circular economy, control of the digital carbon footprint. The agents are also invited to

mobilize to lead working groups and seek ways of improvement; the network thus created is led by the general commissioner for sustainable development (CGDD). Each ministry must provide the CGDD with its annual report on the implementation of mandatory measures under the guidance of its secretary general who coordinates the action via the ministerial committee for sustainable development. The Secretary General of the government establishes an annual report of actions and their results at interministerial level.

Spain



Experiences on Public Sector Non-financial and Integrated Reporting in Spain

In Spain, as in general terms occurs in Western European countries, innovations through holistic approaches for public reporting, focusing, not only

on economic and financial aspects, but also in those related to sustainability, social responsibility of public entities and environmental preservation, such as non-financial and integrated information disclosures, are in their infancy.

However, whether in the administration or in other public entities, new experiences in the field of new information systems are being tested, among which we can point out the following ones:

- Regarding non-financial information, these experiences focus on objective budgeting (sometimes more rhetorical than real), charts of services and performance indicators in annual reports.
- With regard to integrated information, the most significant experiences are in public companies and universities. In the case of public companies, there is clear progress in the field of large

public companies, but in public administrations, initiatives are rather scarce. There is also a significant implication of the universities, since many of them have implemented the Guide for the elaboration of sustainability reports of the GRI.

It is important to note that in Spain, the transposition of European EU 2014/95 directive, has been more demanding with respect to the requirements, although it does not specifically mention the public sector.

We will also here refer to the legal recognition and support of these initiatives, highlighting the approval of 2014-2020 strategy for companies, public administrations and other organizations to move towards a more competitive, productive, sustainable and inclusive society and economy.

Another institutional initiative has been the ESS/1554/2016 order regulating the social re-

sponsibility and sustainability reports of companies, organizations and public administrations, although this order has not yet had a significant impact on governmental reporting practices.

Private professional organizations have also launched important initiatives for the development of Integrated Information, where the Spanish Accounting and Business Administration Association (AECA) is developing a remarkable work, with his pronouncements on Integrated Corporate Reporting and Public Entities Social Responsibility.

In the field of control, even though performance and integrated audits are established as an important audit objective, especially implemented in the case of performance audits, the truth is that the progress of non-financial information, especially in the area of Social responsibility, as well as the integrated information of public entities, has

raised the need to update the instruments and methodologies of auditing and supervision of the public sector, to adapt them to these new auditing and control requirements.

It is important to highlight that a significant number of Spanish public companies have been making progress on these issues for years, publishing their reports according to the GRI framework and producing integrated reports, for example: Correos, Canal de Isabel II or Adif, although it is true that public companies have made much progress compared to general administration.

Although these achievements can only be described as modest, it is no less true that they are a starting point for reforms that seem unavoidable, as challenges that societies and governments have to face without delay in the years to come.

United Kingdom

EU Directive 2014/95 implementation

The UK implemented the directive into law in 2016 through a Statutory Instrument entitled Companies, Partnerships and Groups (accounts and non-financial reporting) regulation no. 1245, under the Companies Act 2006. Regulation no. 1245 is commonly referred to as the Non-Financial Reporting Regulations.

The UK adapted the following elements of the directive in the regulations:

- Definition of a large company;
- Disclosure format;
- Auditors involvement; and
- Non-compliance penalties.

Public Sector Adoption

The Financial Reporting Advisory Board (FRAB) is an independent body established in the UK

with the authority to provide financial reporting requirements for:

- Central government (including devolved national governments);
- Local government; and
- National Health Service.

HM Treasury's Financial Reporting Manual (FReM) is based on this advice. The NHS Group Accounting manual aligns with the FReM. The CIPFA/LASAAC Code of Practice on local authority accounting seeks to align with the FReM where possible.

In 2017/18, the FRAB ensured that the FReM reflected key elements of the Non-Financial Reporting Regulations and the associated Financial Reporting Council guidance on the strategic report, adapted for the public sector context as necessary. The performance report required by the FReM is the public sector equivalent of the private sector strategic report.

FReM performance report requirements

The performance report provides information on the entity, its main objectives and strategies and the principal risks that it faces. It must provide a fair, balanced and understandable analysis of the entity's performance, in line with the overarching requirement for the annual report and accounts as a whole to be fair, balanced and understandable. External auditors review the report for consistency with other information in the financial statements and is signed by the Accounting Officer or Chief Executive.

The performance report has two sections:

Overview - a summary providing sufficient information to understand the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the

year. As a minimum, it must include:

- Explanation of the overview section's purpose;
- Lead Minister or Chief Executive perspective on the performance of the organisation over the period;
- A brief description of the business model and environment, organisational structure, objectives and strategies;
- The key issues and risks that could affect the entity in delivering its objectives;
- An explanation of the adoption of the going concern basis where this might be called into doubt (primarily for arms-length bodies); and
- A performance summary.

Performance analysis - a detailed performance summary of how their entity measures its performance, more detailed integrated performance analysis

and long-term expenditure trend analysis where appropriate. As a minimum, it must include:

- Information on how the entity measures performance;
- More detailed analysis and explanation of the development and performance of the entity during the year and an explanation of the relationships and linkages between different pieces of information
- Non-financial information including social matters, respect for human rights anticorruption and anti-bribery matters;
- Information on environmental matters including the impact of the entity's business on the environment and mandatory sustainability reporting requirements.

Integrated Reporting – UK Financial Sector

The UK public sector has not formally adopted integrated reporting.

The Chartered Institute of Public Finance & Accountancy (CIPFA) has developed an application note to help public sector organisations implement integrated reporting. It established an international working group which peer review the draft application note and provided technical and professional advice during this project.

There is also a move to provide specific, principles-based requirements derived from the IIRC framework into narrative reporting via the CIPFA/LASAAC Code of Practice on local authority accounting.

Internal auditors are aware of the guidance provided by the Chartered IIA on integrated reporting in July 2015. As adoption

in the sector is low, and traditionally public sector internal auditors have limited detailed involvement in preparation of the annual report and accounts, there is no specific public sector related guidance in place.

Quality and Transparency Statement of the chairs of the joint EUROSAI-ECIIA Project Group “Integrated reporting in the European public sector”

Melvyn Neate, Pascale Vandebussche

This is to certify that the report on *Integrated Reporting in the European Public Sector* has been developed following the *Quality and Transparency* process stated in the “*Quality and transparency protocol for EUROSAI products and documents*”, as detailed below.

i. *Representation of the membership of the PG on Integrated Reporting in the European Public Sector elaborating the product:*

- European Organisation of Supreme Audit Institutions (EUROSAI): Martin Dees, Mark Hendrix (Netherlands Court of Audit)
- European Confederation of Institutes of Internal Auditing (ECIIA): Soledad Llamas,

The SAI of Turkey provided input at the start of the project.

The report was drawn up and approved by mutual agreement between the PG members.

ii. *Terms of Reference:* approved on 11 December 2018

iii. *Openness and transparency:* The report will be sent by email to all EUROSAI and ECIIA-members and made available on the EUROSAI website and ECIIA website.

iv. *Work method:* survey in all EUROSAI countries, study of literature, webinars.

v. *Exposure to comments:* various draft versions of the report were discussed in meetings of the Project Group, which were open dialogues in which all members could give their comments. Decisions for amendments in report texts were based on unanimity.

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1 July 2021

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