

Agency guidelines for the 2018-19 Mandatory Annual Returns to Treasury

Agencies are required to submit Annual Returns, consisting of the financial statements for the year ended 30 June 2019 and associated schedules that reflect the agency's financial performance during the year and financial position at 30 June 2019.

This Circular applies to all NSW public sector agencies, including State Owned Corporations, that are required to submit Prime returns. This Circular withdraws and supersedes the previous NSW Treasury Circular Mandatory Annual Returns procedures for 2017-18 (TC18-06).

Summary

For the 2018-19 year agencies are required to submit to Treasury:

Submission	Due Date
Crown Data Returns	15 July 2019
Prime Data Return	17 July 2019
Preliminary Annual Return	22 July 2019
Supplementary Return	22 July 2019
Resolution of Emerging Issues previously advised to Treasury	22 July 2019
Revision to Preliminary Annual Returns	16 August 2019

Agencies must develop a detailed plan to ensure delivery by these dates. The plan should be developed in consultation with key stakeholders, including the Audit Office of New South Wales (Audit Office), and incorporate sufficient time for management review and involvement of Audit and Risk Committees. Agencies are also required to provide the Final Annual Return as detailed in this circular.

Please refer to detailed timetable in Appendix A, noting the first return is due on 17 June 2019.

Annual Returns

Annual Returns constitute the financial statements and associated schedules that reflect the agency's financial performance during the year and financial position at the end of the year. Agencies submit two Annual Returns to Treasury, the **Preliminary Annual Return** and the **Final Annual Return**.

Prior to submitting the Annual Returns to Treasury, agencies must:

- Engage proactively with the Audit Office to discuss any concerns identified during the Early Close Process. Relevant actions must be taken to resolve any issues prior to preparing agency financial statements to avoid the possibility of modification of the opinion within the Independent Audit Report and the incidence of reported misstatements.
- Identify, document and notify Treasury of emerging issues or likely misstatements to enable Treasury to maintain a sector wide view of such issues.
- Complete the Annual Return Checklists that define the minimum requirements for the Annual Returns. Agencies may perform additional procedures as part of a strategy to improve the quality and timeliness of financial reporting. This must be signed and provided to Treasury at the same time as the year-end financial statements are submitted to the Audit Office and Treasury.

The attached Guidelines provide information to assist agencies in completing the Annual Returns to Treasury for the 2018-19 financial statements.

Preliminary Annual Return comprises:

Submission due by 17 July 2019:

- Prime Data Return (including “ES” agency data where applicable), consistent with the 2018-19 draft financial statements. Agencies submit data into Period 12 (Scenario: SA0099 – June 2019)

Submission due by 22 July 2019:

- The completed 2018-19 preliminary financial statements as prepared for audit
- Updates to Prime Data Return (including “ES” agency data where applicable), for any changes since 17 July 2019
- Supplementary Return including checklist
- Preliminary Annual Return Checklist
- Details of the correction of material prior period errors
- Resolution of the Emerging Issues previously communicated to Treasury as part of the Mandatory Early Close procedures
- Variance analysis

Other Submission due by 16 August 2019:

- Revisions to Preliminary Annual Returns.

Final Annual Returns due within one day of receiving the signed Independent Auditor’s Report, comprises:

- Audited financial statements
- Independent Auditor’s Report on your financial statements
- Engagement Closing Report issued to your agency by the agency’s auditor
- Management Letter (within one day of receipt from the Audit Office)

Remaining Annual Returns due within 3 business days of the later of Prime being opened for Final returns and Receipt of the Independent Auditor’s Report:

- Final Prime Data Return (including “ES” agency data where applicable). Agencies submit data into Period 13 (Scenario: SY0099 – June 2019). All agencies are required to submit data into Prime Period 13, even if there are no changes to the data previously submitted into Prime Period 12
- Reconciliation between preliminary and final Prime return
- Final Annual Return Checklist
- Schedule 5 of the Supplementary Return

All returns and relevant working papers are to be emailed to agencyinfo@treasury.nsw.gov.au.

Agencies are no longer required to prepare the Loan Council Return.

Other than for Schedule 5, Agencies are not required to prepare a Supplementary Return with the Final Annual Return.

Agencies to notify Treasury of events after the reporting period

Agencies are required to notify Treasury of events after the reporting period within a day of the agency becoming aware of the issue. Agencies are required to perform an assessment of the events after the reporting period in accordance with AASB 110 *Events after the Reporting Period*.

The Government Sector Finance Act 2018

The *Government Sector Finance Act 2018* (GSF Act) became law in November 2018, and elements of the Act come into Force from 1 December 2018. The financial reporting, audit and annual reporting elements of the GSF Act have not yet come into force – they are proposed to commence progressively from the 2019/20 financial year (inclusive). Agencies should **prepare their financial statements for the 2018-19 financial year in accordance with the *Public Finance and Audit Act 1983* (PFAA Act)**. For more information please refer to Section 5 of the Circular and NSW Treasury's [GSF Act website](#).

Public Authorities (Financial Arrangements) Act 1987 (PAFA Act)

The PAFA Act and its accompanying regulation provide a legislative framework until 30 November 2018 for the regulation of the investment and borrowing functions of agencies. From 1 December 2018 division 6 of the GSF Act provides this framework. However, under transitional arrangements existing PAFA Act approvals will continue to apply for the duration of the 2018-19 financial year and beyond, unless a particular approval expires or is revoked before 30 June 2019. Agencies must ensure they have adequate PAFA Act approvals on record.

Crown Data Return (CDR)

To assist with the preparation of the Crown Entity financial statements, all NSW public sector agencies are required to complete the CDR which must be emailed to the Crown_Entity@treasury.nsw.gov.au by no later than 15 July 2019. Further details are contained in the attached Guidance, with the CDR in Appendix D.

Those agencies that normally forward a Nil return are requested to examine their situation to see if a Nil return is again applicable. Nil returns will be accepted prior to 30 June 2019.

Application of this Circular

This Circular is issued as a Direction in accordance with sections 9 and 45E of the *Public Finance and Audit Act 1983*. A specific reference to this Treasury Circular will also be included in the Statement of Corporate Intent of Statutory State Owned Corporations.

This Circular withdraws and supersedes the previous NSW Treasury Circular Agency guidelines for the 2017–18 Mandatory Annual Returns to Treasury (TC18-06).

Joann Wilkie

Deputy Secretary Economic and Financial Management Group

Further Information: Financial Management, Reporting & Analysis Division
Email: agencyinfo@treasury.nsw.gov.au (with Agency Prime number, Agency Name and 'Annual Return 2019' in the Subject)
NSW Treasury website: www.treasury.nsw.gov.au/

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Treasury

Agency Guidelines for 2018-19 Mandatory Annual Returns to NSW Treasury

April 2019

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1. Background

Treasury collects and combines the Annual Returns from public sector agencies throughout New South Wales to produce the:

- Consolidated Financial Statements of the NSW General Government and Total State Sectors (known as the Total State Sector Accounts)
- Budget Result and other Key Aggregates announced by the Treasurer (published within the above statements)
- Outcomes Report, prepared in accordance with an intergovernmental agreement to allow consistent comparisons between jurisdictions
- Government Finance Statistics (GFS) based reports which are submitted to the Australian Bureau of Statistics (ABS)
- Submissions to credit rating agencies.

The consolidated financial reports produced by Treasury are widely distributed and are generally subject to public scrutiny. It is important, therefore, that your agency's Annual Returns are complete and accurate. Accurate and timely financial reporting is one aspect of sound financial management. The production of high quality and timely financial statements by agencies is essential for Government decision making, timely management of public funds and enhanced public sector accountability.

This will ensure that the consolidated financial reports Treasury produces based on your agency's Annual Returns are also complete and accurate.

The continued focus on improving the quality and timeliness of financial reporting resulted in the Total State Sector Accounts for 2017-18 receiving an unqualified audit opinion. The Auditor-General reported that agency 2017-18 financial statements submitted for audit and used for the whole-of-government reporting, contained an increase in misstatements exceeding \$20 million compared to such misstatements in the prior period. The focus going forward will remain on the quality of agency financial statements by reducing misstatements and the underlying causes.

The Supplementary Return is used to efficiently collect the other financial information that forms part of the Total State Sector Accounts, and that falls outside of the Agency's trial balance which is submitted through Prime.

2. Preliminary Annual Return

The Preliminary Annual Return comprises:

Submission due on 17 July 2019:

- **Prime Data Return** (including “ES” agency data where applicable), consistent with the 2018-19 draft financial statements. (Please refer to Appendix G (i))

Submission due on 22 July 2019:

- Completed **2018-19 financial statements** as prepared for audit;
- Updates to **Prime Data Return** (including “ES” agency data where applicable), for any changes since 17 July 2019
- **Supplementary Return** including checklist (section 4)
- **Preliminary Annual Return Checklist** (Appendix F(i))
- Details of the **correction of material prior period errors** (Appendix J)
- **Updates to Emerging Issues** (Appendix I)
Details of the resolution of the Emerging Issues communicated to Treasury in the Return on Emerging Issues in 13 February 2019, 23 April 2019 and 24 June 2019; and Information on any other Emerging Issues identified subsequent to the submission of the Returns on Emerging Issues and the details of the resolution of these issues;
- Any **Accounting Issues Resolution Papers** (Appendix J)
- **Variance analysis** (Appendix M (i))

All returns and relevant working papers are to be forwarded to:

agencyinfo@treasury.nsw.gov.au.

2.1 Inter-agency or internal counter-party (ICP) balances and transactions

2.1.1 Agencies must **agree and confirm inter agency balances and transactions** – As part of the year-end process, agencies should confirm the dollar amount of NSW Public Sector inter-agency statement of comprehensive income transactions and statement of financial position balances with a value greater than \$5 million.

2.1.2 ICP mismatches can be reviewed by running the ICP mismatch report at an Agency level. All ICP mismatches above \$5 million should be investigated and cleared as part of your Prime data submission and review. The agency providing the service (e.g.: the debtor) should take the lead in agreeing each balance.

2.1.3 This is necessary to ensure:

- that the amounts reported in Prime by the agencies will correctly and completely eliminate on consolidation at a whole of government level, and
- the amounts reported in the financial statements are consistently applied by the agencies, and in the same financial period.

2.1.4 Documentation of the confirmation is required, and should be retained by the Agency, to evidence year end processes, which will likely be reviewed by the Audit Office during its audit process.

2.2 Review and signoff

- 2.2.1 The Prime data, financial statements and all additional returns must be reviewed and approved by the relevant Agency officers prior to submission. The information in the Prime data must agree with the financial statements submitted for audit.
- 2.2.2 A template for the reconciliation of Prime to financial statements will be provided in schedule 5 of the Supplementary Return.
- 2.2.3 All general ledger accounts must be fully reconciled, independently reviewed and approved with all analytical work performed to support the reconciliations for both accuracy and completeness.
- 2.2.4 The accuracy of the following returns to the Crown Entity must be reviewed and approved by the relevant Agency officer prior to submission:
- **Certificate of Reconciliation with the Crown Entity Ledger** (*required from agencies receiving Crown Entity ledger print-outs only*) (Appendix C)
 - **Crown Data Return** (Appendix D)
 - **Valuation of LSL liability** as at 30 June 2019 for Crown Funded LSL agencies and members of the Agency Funded Crown LSL Pool (Appendix E)
- 2.2.5 The relevant Agency officers must review and approve the accuracy of the **Supplementary Return** prior to submission. Further guidance on the Supplementary Return is included in section 4 below.

2.3 Year-end calculations

- 2.3.1 Calculate any '**Liability for Unspent Appropriations Drawn Down**' (previously referred to as the '**Liability to the Consolidated Fund**') as at 30 June 2019 – the template will be provided as part of the **Supplementary return**. This will include full instructions on the calculation of the liability.
- 2.3.2 Agencies should document complex accounting treatments with all issues identified, discussed and confirmed with the Audit Office and actioned appropriately. A template to support the documentation of complex, one-off transactions has been provided in Appendix J as a supporting work paper to utilise where appropriate.
- 2.3.3 Agencies must also up-date financial instruments. The Annual TCorpIM Funds (formerly known TCorp's Hour-Glass managed funds) distribution statements will be provided by the NSW Treasury Corporation (TCorp). Other financial instrument information for disclosures will also be available at 30 June 2019.
- 2.3.4 Agencies must re-calculate insurance, superannuation, and other employee liabilities. Accounting standards require that insurance, superannuation and other long term provisions are recalculated using a 30 June 2019 discount rate.
- Pillar will provide superannuation statements by 11 July 2019.
 - State Owned Corporations (SOCs) and TCorp should apply the 30 June High Quality Corporate Bond Yield when calculating their defined benefit superannuation liability.
 - As with defined benefit superannuation liabilities, SOCs and TCorp should now apply the 30 June High Quality Corporate Bond Yield when calculating their Long Service Leave liabilities for use in the Agency's Financial Statements, and for the data submission in Prime.

- SOCs and TCorp are also required to recalculate the Long Service Leave liabilities at 30 June 2019, using the 30 June 2019 Government Bond rate (Commonwealth Government Bond Yields quoted by Reserve Bank of Australia), and complete the template included as part of the Supplementary return. This information is required for the total sector and State-level reporting at 30 June 2019, which continues to be based on the 30 June 2019 Government Bond rate.
- All other agencies must use the 30 June 2019 Government Bond rate to discount their insurance, superannuation, and other employee liabilities.

2.4 Variance analysis - Appendix M(i)

2.4.1 All agencies must complete detailed variance analysis for the year to 30 June 2019. The variance analysis should include:

- Comparison of your agency's actual 2018-19 financial performance and financial position to the 2017-18 financial performance and financial position
- Comparison of your agency's actual 2018-19 financial performance and financial position to the original budgeted 2018-19 financial performance and financial position in accordance with AASB 1055 *Budgetary Reporting* (AASB 1055)

2.4.2 Your agency's Treasury Analyst will be in contact with you to discuss the variances for your agency post submission of your Prime data. These queries will be on a more detailed (account level) basis. However, the quality of your Appendix M(i) submission should limit the amount of additional queries from Treasury.

2.5 Correction for errors to submitted data

2.5.1 Agencies are required to advise Treasury of all subsequent adjustments and/or errors (corrected or uncorrected) to the financial statements greater than \$5 million (please refer to Appendix B) so that the Total State Sector Accounts can be assessed for revision. While \$5 million might or might not be material to your reporting entity, the \$5 million threshold will assist Treasury to assess those matters that individually, or collectively, could materially impact the State's consolidated financial statements.

2.5.2 **Agencies are required to complete, including nil returns, and email the completed Appendix B pages to agencyinfo@treasury.nsw.gov.au by 16 August 2019.** Any errors or adjustments identified subsequently should be advised to Treasury no later than 1 day after you identify adjustments and/or errors in aggregate, above \$5 million. This includes compensating (offsetting) errors greater than \$5 million even if the net impact is less than \$5 million. If the adjustment/error is less than \$5 million, even if it is material to your agency, there is no need to advise Treasury. However, it should be corrected in the Agency's Final Annual Return.

2.5.3 We encourage the submission of identified errors prior to the deadline date, so that any adjustments will not constitute an error to the Total State Sector accounts submitted to the Audit Office.

2.5.4 Agencies are required to complete and email the completed Appendix I and any Accounting Issues Resolution Papers (Appendix J) prepared on the identified Emerging Issues to agencyinfo@treasury.nsw.gov.au with the other components of the Preliminary Annual Return.

2.6 Prior Year data

- 2.6.1 Agencies may only change comparative data if the change is required by accounting standards, for example due to a change in accounting policy or as a **correction of a material error in a prior period**. Note, accounting standards require that all changes resulting from revisions to estimates must be made prospectively, and not retrospectively adjusted.
- 2.6.2 The 2017-18 annual financial statements must agree to the Prime data for 2017-18. Please email agencyinfo@treasury.nsw.gov.au immediately with the details of any unadjusted discrepancy, including Prime accounts, amounts and an explanation. You will need to demonstrate that the change is eligible for retrospective restatement and complies with accounting standards.
- 2.6.3 Changes to 2017-18 data should be endorsed by your management, and a copy provided to the Audit Office to enable audit of the annual financial statements. Treasury might not be able to immediately action your request to amend the previous year's Prime return, however we will be able to advise you how to prepare the interim Prime return.

2.7 Cash management and budget funded agencies

Agencies funded directly or indirectly from the Consolidated Fund are funded on a cash flow needs basis and should only hold unrestricted cash balances to cover their immediate operational requirements.

As a consequence, certain budget funded agencies could have a cash balance less than the agency's current liabilities at the balance date; normally an indicator of an agency's inability to continue as a going concern. Agencies should be aware that this indicator is only one of a variety of indicators used in assessing the going concern assumption. Agencies need to also take into consideration the allocated budget and the ongoing support of the State of New South Wales.

Should the Audit Office raise this concern, the agency is advised to refer the matter to Treasury for the attention of Krishna Satchithananda on:

ph: (02) 9228 5537 or email: TSSA@treasury.nsw.gov.au

3. Final Annual Return

The Final Annual Return comprises:

- **Audited financial statements**
- **Independent Auditor's Report** on your financial statements
- **Engagement Closing Report** issued to your agency by the agency's auditor
- **Management Letter** (when received from the Audit Office),
- **Final Prime Data Return** for Period 13 including "ES" agency data where applicable (Appendix G (ii))
- Reconciliation between preliminary and final Prime return (Appendix M(ii))
- **Final Annual Return Checklist** (Appendix F(ii))
- **Schedule 5** from the Supplementary Return

Agencies are no longer required to prepare the Loan Council Return.

Other than for Schedule 5, Agencies are not required to prepare a Supplementary Return with the Final Annual Return.

Agencies must forward the audited financial statements, the Independent Auditor's Report and the Engagement Closing Report to Treasury within one day of receipt of the Independent Auditor's Report. Agencies must forward the Management Letter to Treasury within one day of receipt from the Auditor. These should be forwarded to agencyinfo@treasury.nsw.gov.au.

The remaining returns must be submitted within 3 business days of the later of:

- Prime being opened for Final returns; and
- Receipt of the Independent Auditor's Report.

4. Supplementary Return

4.1 The Supplementary Return provides Treasury with additional financial information that falls outside of the ordinary trial balance. Treasury relies where possible on agency trial balances and unaudited financial statements. Treasury is also required to obtain this additional information to prepare disclosures for notes to the Audited Consolidated Financial Statements of the NSW General Government and Total State Sectors.

The Supplementary Return is prepared electronically. The Supplementary Return (Excel file) with corresponding instructions will be emailed by **31 May 2019** to your CFO with a copy to the Agency's Prime contact on record.

4.2 The following schedules are included within the Supplementary Return

- Liability for Unspent Appropriations Drawn Down (formerly referred to as the Liability to the Consolidated Fund) return
- Financial Guarantees Return
- Contingent Assets and Liabilities Return
- Special Deposit Account Return

- 4.3 Agencies are required to forward the Supplementary Return as part of the Preliminary Annual Return, together with an electronic copy of the preliminary financial statements. Agencies are only required to prepare Schedule 5 of the Supplementary Return as part of the Final Annual Return.
- 4.4 The Supplementary Return including the Checklist and Management Representations operate using the Excel spreadsheet. The Excel spreadsheet comprises a series of questions. When questions (e.g. did your agency have any investment properties as at financial year end?) are answered in the affirmative, agencies must insert a reference to the relevant note in the financial statements and for certain questions you will be required (via a hyperlink to a separate tab within the Excel file) to complete further information, such as maturity schedules of commitments. The majority of questions require only a reference to the note in your financial statements. In the cases where information is required to be entered into a separate tab within the Excel file, **agencies must ensure that the information ties back to their financial statements.**
- 4.5 Please note that many schedules require dissections. These assist Treasury with the elimination of inter-agency commitments and balances upon consolidation and provide for additional disclosures in the notes to the Total State Sector Accounts. For example, the operating lease commitments maturity schedules require a dissection of commitments owing to three groups:
- Other General Government agencies
 - Other NSW Public Sector agencies i.e. owing to Public Non-Financial Corporations (“PNFC”) and Public Financial Corporations (“PFCs”)
 - All other entities i.e. the Private Sector, Commonwealth, Local Governments and Other State Governments.
- The total of the above three groups must agree to the amounts reported in the commitments notes to your financial statements. Refer to Appendix A3 of the 2018-19 Budget Paper No.1 (www.treasury.nsw.gov.au) if you require a list of NSW public sector agencies by sector classification.
- 4.6 The schedules within the Supplementary Return include some guidance at the foot of the relevant spread sheet, or click on the FAQ buttons, to assist you to prepare the Supplementary Return.
- 4.7 When saving the Supplementary Return file to email to Treasury, prefix the file name with your agency’s Prime number. The Supplementary Return is to be forwarded to agencyinfo@treasury.nsw.gov.au along with the other components of the Preliminary Annual Return.

5. The Government Sector Finance Act 2018

The *Government Sector Finance Act 2018 Act* (GSF Act), and associated repeal and amendment Act, received royal assent on 24 October 2018 and commences in stages from 1 December 2018. The *Public Authorities (Financial Arrangements) Act 1987 Act* (PAFA Act), which regulated the investment and borrowing functions of agencies, and the non-audit aspects of the PFAA Act were also repealed on 1 December 2018.

This change in the regulatory regime will have a limited impact only on agencies' preparation of their 2018-19 Annual Returns to Treasury. This limited impact is due to the staged approach being taken to implementation of the GSF Act and transitional measures.

5.1 2018-19 financial statements

Agencies should **prepare their financial statements for the 2018-19 financial year in accordance with the PFAA Act**. The 2019-20 financial year will likely be the first year for which agencies have to prepare their financial statements in accordance with the GSF Act. The 2020-21 financial year will likely be the first year for which agencies will have to prepare their annual returns in accordance with the GSF Act.

This means that there will be **no change to the wording of the 2018-19 attestation statement** which agencies provide to Treasury when submitting their 2018-19 annual return, as compared to the 2017-18 attestation statement. This is because the scope of the attestation is limited to confirming that the financial report has been prepared in accordance with the PFAA Act, the *Public Finance and Audit Regulation 2015* and the Treasurer's Directions, none of which have changed in a relevant manner as compared to 2017-18.

5.2 Expenditure

Division 5.1 of the GSF Act introduces new rules as to expenditure. Section 5.5 makes an agency's accountable authority (eg departmental Secretary, agency CEO) responsible for ensuring that all expenditure by the agency is authorised. Section 5.5 also makes government officers responsible for ensuring that money is expended by the agency in a way that is authorised. Division 5.1 of the GSF Act commenced on 1 December 2018.

Sections 12 and 13 of the PFAA Act, prior to their repeal, limited an officer's authority to expend money or pay an account on behalf of an agency to the extent conferred by a delegation in writing. As a transitional measure any written delegations issued under section 12A of the PFAA Act, also repealed, regulating this expenditure will remain in force under the GSF Act, provided the authorised person is a permissible delegate under the new delegation rules in division 9.2 GSF Act.

5.3 Financial arrangements and investments

Part 6 of the GSF Act introduces new rules which govern agencies' banking, financial and investment arrangements, including derivatives, guarantees and funds manager arrangements. These new rules apply from 1 December 2018 and replace the rules contained in the PAFA Act and the Public Authorities (Financial Arrangements) Regulation 2013.

As a transitional measure, approvals previously obtained by an agency under the PAFA Act will continue to apply and for the following periods:

- existing banking agreements – until the agreement ends;
- existing financial arrangements – until 30 November 2021, unless the arrangement ends sooner;
- existing financial arrangements for joint financing arrangements – until the agreement ends;
- existing financial arrangements for joint ventures – until the agreement ends;
- existing guarantees related to all existing arrangements – until the guarantee ends;
- existing investment powers – until 30 November 2021, unless revoked sooner; and
- existing approval to use a funds manager other than TCorp – this continues.

6. Classification of the Functions of Government (COFOG)¹

- 6.1 Classification of the Functions of Government (COFOG) data is used to report information on expenses and assets by function in the Total State Sector Accounts Note on the Report on State Finances. It is also used to prepare the Outcomes Report under the Uniform Presentation Framework (UPF). Users of this information include the Australian Bureau of Statistics (ABS), Productivity Commission, Reserve Bank of Australia, credit rating agencies, media organisations and the general public.
- 6.2 It is essential that classifications are correct and significant movements on previous reported balances are explained. Agencies should run the COFOG 4-Digit Report to confirm that program² data has been entered accurately and review for major movements between reporting periods.
- 6.3 Your Treasury analyst will be in contact to request further details on significant movements in COFOG data if required. The accuracy of COFOG is to be reviewed and approved by the relevant Agency officers prior to submission.

7. Discontinued / Abolished Statutory Bodies

- 7.1 In accordance with *PFAA*, where a statutory body ceases to be a statutory body because it is abolished or dissolved or its name removed from Schedule 2 of the Act, it should comply with section 43A of the Act. This means a final financial report must be prepared from 1 July to the date of abolition.

¹ Previously known as Government Purpose Classification (GPC).

² Previously reported as service groups.

8. 2018-19 Financial Accounting Arrangements for the Crown Entity (CE)

8.1 Definition

- 8.1.1 The preparation of the financial statements for the CE, which comprises the Crown Finance Entity (CFE) and the Consolidated Fund bank account (ConFund), is based on information provided by agencies as well as from the CE's ledgers maintained by Treasury.
- 8.1.2 The CFE is required to report on those service-wide assets, liabilities and transactions that are the overall responsibility of the Government rather than being the responsibility of individual departments and statutory bodies.
- 8.1.3 The ConFund receives funds from State taxes, Commonwealth contributions and financial distributions from certain NSW agencies. Payments from this account comprise of appropriation payments to principal general government agencies.

8.2 Banking arrangements

- 8.2.1 Deposits should be made into the CFE and ConFund as appropriate. Care must be exercised to ensure that deposits are made to the correct bank account and that the correct bank details and account number are quoted or that the correct deposit book is used. The account details are:

Consolidated Fund bank account:

BSB: 032-001

Account: 20 3850

Crown Finance Entity bank account:

BSB: 032-001

Account: 20 4001

For clarification or more information contact Ramesh Nand on (02) 9228 3138

8.3 Payments to the Crown Entity

- 8.3.1 The Treasurer's Directions have been repealed however they should be considered as government policies until NSW Treasury advises otherwise. As per Treasurer's Directions 130.06, 315.02, 315.03 and 315.04, agencies crediting the CE's bank accounts must ensure that receipt vouchers for those deposits are lodged with the CE on the day of the deposit. Receipts should be emailed to **Crown_Receipts@treasury.nsw.gov.au**.

8.3.2 It is essential that all Public Revenue, Collections and Remitting bank accounts operated by agencies are cleared by the year-end. This will ensure that all ConFund revenues, user-charges etc. are properly brought to account. To ensure a smooth flow of such entries, agencies must clear their collections of Crown revenues to the appropriate CE bank accounts at least weekly during June and on a daily basis during the period 16 June 2019 to 30 June 2019 inclusive.

8.4 Unpaid cheque accounts operated on behalf of the ConFund

- 8.4.1 A number of larger agencies operate a Treasurer's Unpaid Cheque Account on behalf of the ConFund. As these accounts form part of the ConFund's cash at bank total, the CE requires reconciliations of these accounts for its year end work papers. The reconciliations and related working papers are to be emailed to **Crown_Entity@treasury.nsw.gov.au** by 5 July 2019.
- 8.4.2 The balance of the unpaid cheque account must not include cheques unpaid/dishonoured for more than 2 months. These are to be cleared, with appropriate deposit made to the credit of the Treasurer's Unpaid Cheque account as per Treasurer's Direction 140.04.

8.5 Appropriation Payments

- 8.5.1 Final appropriation payments will be paid on 26 June 2019.
- 8.5.2 Reimbursement of all other expenditures except for LSL and unclaimed moneys will be made up to and including 25 June 2019.
- 8.5.3 Where an agency has received a direct appropriation from the Consolidated Fund, any unspent appropriations will have to be repaid to the ConFund in July and reported as a Liability for Unspent Appropriations Drawn Down as at 30 June 2019 (refer Supplementary return for the calculation template).

8.6 Long Service Leave (LSL)

Calculation of the present value of LSL for the Crown Funded LSL agencies and the Agency Funded Crown LSL Pool

- 8.6.1 LSL must be accounted for in accordance with AASB 119 *Employee Benefits* and discounted appropriately. Agencies whose LSL is assumed by the Crown and those belonging to the Agency Funded Crown LSL Pool must complete Appendix E Crown Funded LSL agencies and members of the Agency Funded Crown LSL Pool and return to the CE on or before 17 June 2019.
- 8.6.2 Treasury Circular TC 18-13 *Accounting for Long Service Leave and Annual Leave*, mandates the required treatment for returns to Treasury. In particular, agencies should;
- accrue for on costs of Annual Leave while the employee is on Annual Leave or Long Service Leave, and
 - accrue for the on costs of Long Service Leave whilst the employee is on Annual Leave.

Expensing the accruing cost of LSL for the Crown Funded LSL agencies

- 8.6.3 At year end, Crown Funded LSL agencies are required to reconcile the movement of LSL liability assumed by the Crown during the financial year and complete Section 3.2 Provision of Long Service Leave – Certificate of Reconciliation of Appendix D Crown Data Return. Agencies should ensure that the expense appearing in the agency's financial statements for LSL assumed by the Crown agrees with the LSL expense (CE general ledger accounts 40200 and 40210).
- 8.6.4 Where officers are transferred between Category 1 agencies, agencies must ensure that the transferred LSL liabilities do not impact on LSL expense. The transferred amount must be reported in line item “Staff transferred in/out – non-cash transfers” in the Return.
- 8.6.5 If a discrepancy is identified, agencies must investigate and rectify the errors before lodging the Return with the CE. The CE general ledger accounts 40200 and 40210 must not be used to balance up the yearly movement. Reconciliations must be performed.
- 8.6.6 Agencies must advise the CE a final adjusting journal (clearly marked as such) as per the requirements of Treasury Circular TC 14-06 Funding Arrangements for Long Service Leave and Transferred Officers Leave Entitlements no later than 5 July 2019.

Payment of adjusting cash contribution to the Agency Funded Crown LSL Pool

- 8.6.7 Members of the Agency Funded Crown LSL Pool with a final adjusting payment or direct bank credit (clearly marked as such), must make these on or before 24 June 2019. The payment will ensure that the correct portion of all 2018-19 salaries and wages payments has been paid into the appropriate account. In this regard, your attention is particularly drawn to the requirements of Treasury Circular TC 14-06.

Recoupment of LSL

- 8.6.8 Amounts payable for June 2019 LSL by GGS agencies and those Crown LSL Pool agencies entitled to a reimbursement from the CE are to be lodged by 10 am on 24 June 2019.

8.7 Unclaimed money

- 8.7.1 Any unclaimed money and part balances of any Special Deposits Account no longer required (TD 330.01) should be deposited into the ConFund, Westpac Bank Account BSB: 032-001 Account: 20 3850, *by 24 June 2019* for credit of the Consolidated Fund Receipts A/C 76730 - Transfers under Section 14 of the *Public Finance and Audit Act 1983*.

8.8 Reconciliation with the Crown Entity ledger

- 8.8.1 Agencies transacting with the CE and receiving ledger print-outs from the CE for transactions must submit Appendix C Certificate of Reconciliation with the Crown Entity Ledger by 15 July 2019. Note that agencies' ledgers must agree with the CE ledger as at 30 June 2019. (TD 240.06, 325.01 & 325.02).
- 8.8.2 The submission of the signed Certificate of Reconciliation must be supported with a copy of the June month end ledger print-out provided by the CE, as evidence of the balances being reconciled.
- 8.8.3 The full June month end printouts will be emailed to agencies on 9 July 2018.
- 8.8.4 Any discrepancies are to be reported to the CE as soon as possible to allow sufficient time for resolution.
- 8.8.5 For enquiries regarding the ledger printouts, contact Mai Oxley (9228 5346) or Hitesh Shakya (9228 5842).

9. Frequently Asked Questions (FAQs)

Q Where/how does the CEO/CFO sign the Supplementary Return and Checklist?

A The CEO/CFO do not physically 'sign' the spreadsheets. However, the preparer is **required** to complete a question on Management Representations on behalf of your agency. The representations for 2018-19 state that the CFO has attested to the accuracy of the financial statements, Prime data and the Supplementary Return. You need to organise that the CFO or an authorised representative is available to authorise the information, so that your organisation can meet its timetable obligations for Treasury.

Q How can I view all available Prime accounts?

A The Data Dictionary is available on the Prime Knowledge Base [KB0011153](#). Email Treasury on agencyinfo@treasury.nsw.gov.au or the applicable contact listed in Appendix K for specific queries.

The Prime Chart of Accounts is also available on the Knowledge base under [KB0010495](#) Prime reference manual (including mapping information).

Q I have corrections > \$5 million to the Prime or Supplementary Return package that I previously forwarded to Treasury.

A Complete the enclosed form *Revisions to 2018-19 Prime Data* at Appendix B and email it to agencyinfo@treasury.nsw.gov.au immediately.

Q The available Prime account has an inappropriate counterparty?

A Email Treasury on agencyinfo@treasury.nsw.gov.au or the applicable contact listed in Appendix K.

Q Prime does not reflect my 2017-18 comparative AGAAP reports. (e.g. I need to reclassify employee liabilities from Non-current to Current.) What should I do?

A Email Treasury on agencyinfo@treasury.nsw.gov.au or the applicable contact listed in Appendix K.

Q Do we still need to calculate the Liability to the Consolidated Fund as a result of introduction of the new GSF Act?

A Yes. For the period ending 30 June 2019, you are required to calculate any "Liability for Unspent Appropriations Drawn Down" (previously referred to as the "Liability to the Consolidated Fund") as at 30 June 2019.

10. Directory of Appendices

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Appendix A: Year-end Timetable

Annual Return Procedure	2019 ¹
Agencies to provide Appendix E – Valuation of LSL liability as at 30 June 2019 for Crown Funded LSL agencies and members of the Agency Funded Crown LSL Pool (TC 18-13 Accounting for Long Service Leave and Annual Leave, or its replacement)	17 June
<ol style="list-style-type: none"> 1. Final day for agencies to claim reimbursements of LSL for both Crown Funded LSL agencies and members of the Agency Funded Crown LSL Pool (must be submitted before 10:00am) and expenditure made on behalf of the Crown Entity. 2. Final day for agencies to send contributions to the Agency Funded Crown LSL Pool. 3. Unclaimed monies and amounts no longer required are to be deposited in the Consolidated Fund (Treasurer’s Direction 330.01) 	24 June
Agencies submit their Final Return on Emerging Accounting Issues to Treasury as per TC19-01 Agency guidelines for the 2018-19 Mandatory Early Close	24 June
Crown to make final appropriations payments to agencies	26 June
Crown Entity to return Appendix E with advice of the present value of the LSL liability to Crown Funded LSL agencies and members of the Agency Funded Crown LSL Pool.	3 July
<ol style="list-style-type: none"> 1. Agencies operating unpaid cheque accounts on behalf of the Consolidated Fund must send reconciliation working papers to the Crown Entity. 2. Final LSL adjusting journal to Crown Entity 	5 July
Final day for Crown Entity to process non-LSL adjusting journals	8 July
Crown Entity to email June ledger printouts to agencies	9 July
Agencies to provide the Crown Entity with: Appendix C – Certificate of Reconciliation with the Crown Entity Ledger Appendix D – Crown Data Return	15 July
Agencies to submit 30 June 2019 Prime return consistent with the draft Financial Statements to Treasury.	17 July²
Agencies to submit 30 June 2019 Annual Financial Statements to the Audit Office (including supporting work-papers for the Audit Office)	22 July²
Agencies to provide Preliminary Annual Return (Appendix F(i)), and the completed Supplementary Return to Treasury	22 July
Emerging Issues Resolutions (Appendix I) to Treasury	22 July
Agencies to provide the completed Accounting Issues Resolution Papers to Treasury, if applicable Appendix J	22 July
The Crown Entity to provide draft Annual Return to Treasury and draft annual financial statements to the Treasury	30 July
Additional variance queries spreadsheet provided to agencies and ABP analysts	2 August

The Crown Entity to provide preliminary Annual Return to Treasury and annual financial statements to the Audit Office and Treasury	5 August
The Crown Entity to provide the completed Supplementary Return and Appendix F(i)	5 August
Additional variance queries spreadsheet due back from agencies and ABP analysts	9 August
Revisions to Prime data submitted as part of the preliminary or final Annual Return for changes in financial statements and note disclosures for all subsequent adjustments and errors (corrected or uncorrected) above \$5 million. All agencies are required to provide an Appendix B, including nil returns. These may be incorporated into the Total State Sector Accounts prior to submission to audit.	16 August ³
Subsequent revisions to Prime data submitted as part of the preliminary or final Annual Return for changes in financial statements and note disclosures for all subsequent adjustments and errors (corrected or uncorrected) above \$5 million. Agencies to provide updated Appendix B. These may <u>not</u> be incorporated into the Total State Sector Accounts prior to submission to audit and may be reported as an error.	Within one day after the issue is identified ³
Agencies to provide Final Annual Return to Treasury	Within one day of receiving the signed Independent Auditor's Report
Notification of events after the 30 June 2019 reporting period (post balance sheet events)	Within one day of the agency becoming aware of the issue
Treasury to submit draft TSSA to the Audit Office	30 August
Publication of TSSA	TBC

1. All Appendices and returns are to be provided on or before the due dates (including Nil returns)

2. An extension of time will not be permitted

3. It is anticipated that agencies will not have any unexpected adjustments or errors over \$5 million with the improvements to financial reporting process undertaken by the sector

Appendix B: Revisions to 2018-19 Prime Data for Changes in Financial Statements and Note Disclosures

Due date for first return by: 16 August 2019

Email to: agencyinfo@treasury.nsw.gov.au

After forwarding the Preliminary Annual Return, agencies need to advise Treasury of all subsequent adjustments and/or errors (corrected or uncorrected) above \$5 million, when they are identified, so the Total State Sector Accounts can be assessed for revision.

Complete and email this form no later than 1 day after you identify errors, in aggregate, above \$5 million. This includes compensating (offsetting) errors greater than \$5 million whose net impact is less than \$5 million. **All agencies are required to provide an Appendix B, including nil returns, by 16 August 2019.**

Where appropriate attach further information e.g. extract from the revised financial statements or an Accounting Issue Resolution Paper (as provided in Appendix J).

Changes in Financial Statements and Note Disclosures:

Agency name: Agency No. (Prime):

1. Is there an error or adjustment in excess of \$ 5m to the Preliminary Annual Return
Yes/No
2. Who identified the adjustment/error? Audit/Management
3. Has management verified the adjustment/ error? Yes/No
4. Does management plan to amend the 2018-19 financial statements? Yes/No
5. Is audit in agreement with management's plans? Yes/No
If not, explain.

.....
.....

6. What is the nature of the adjustment/error?

.....
.....

7. What Prime journals are required for the adjustment or to correct the error (if it relates to the trial balance)?

Please document in the table below or attach, if insufficient space. Please provide journal even if you answered 'NO' to questions 3 or 4.

Dr/ Cr	A/c description	Prime a/c # (including movements)	Program	ICP	\$	Comments – jnl description

8. What amendments are required to the Supplementary Return schedules for the adjustment / to correct the error?

.....
.....

Please attach updated Supplementary Return schedules.

Signed: **Chief Finance Officer:**(name of CFO)

Agency Contact:(name) **(Tel.)** /...../2019

Appendix C Certificate of Reconciliation with the Crown Entity Ledger

Due date by: **15 July 2019**

Email to: **Crown_Entity@treasury.nsw.gov.au**

Name:	
Position Title¹:	
Agency:	
Profit Centre:	

I certify that the ledgers of this authority agree with the Crown Entity ledgers² as at 30 June 2019, in accordance with Treasurer's Direction 240.06 and 325.01-02.

Signed:	
Date:	
Contact Telephone No:	

1. The Certifying Officer **must** be a Senior Finance Officer within the agency.
2. The ledgers printout sent to agency by the Crown Entity on 9 July 2019 **must** be attached to this Certificate as evidence that those balances have been agreed to the agency's own ledgers.

Appendix D Crown Data Return

Due date by: **15 July 2019**

Email to : **Crown_Entity@treasury.nsw.gov.au**

Note 1: The completion of a Crown Data Return is compulsory for all NSW Public Sector agencies. **Nil returns are required.**

Note 2: If any amount shows changes subsequent to the provision of this return, the relevant page should be resubmitted (within one day following identification) with the amended figure highlighted.

Note 3: Agencies should send the Crown Data Return in Excel to the Crown Entity. The excel file should be saved as Crown Agency Number.xlsm e.g. "100.xlsm" for Treasury.

The Crown Data Return has been prepared electronically in Excel. The Crown Data Return with corresponding instructions will be emailed to Agencies by 30 April 2019.

The preparation of the financial statements for the Crown Entity (CE), which includes the Crown Finance Entity (CFE) and the Consolidated Fund (ConFund), is based on information provided from other agencies as well as its own ledgers. Specific information requested from agencies is detailed below.

Crown Data Return contacts:

Items	Contact name	Contact telephone
1	Leigh Nguyen	9228 4148
2	Thomas Gaudiosi	9228 4137
3	Charles Cheung	9228 4604
4 & 5	Mitra Karmakar	9228 5839

1 Amounts owing by/to the Crown (show Crown liabilities in brackets)

1.1 Non-administered items

This information is required to ensure that the correct amounts owing to/by agencies are recognised in the CE financial statements.

Examples of assets in an agency's financial statements (Crown liabilities) include:

- a) LSL reimbursements owing by the CFE to an agency to cover payments made to employees during the year, and

Examples of liabilities in an agency's financial statements (Crown assets) include:

- a) LSL contributions (Agency Funded Crown LSL Pool),
- b) Transferred officers' LSL (Crown Funded LSL agencies),
- c) Advances repayable to the State, and
- d) Other revenue to the ConFund (provide details).

Appendix D - Crown Data Return (continued)

1.2 Administered items

An agency may manage Crown assets and liabilities in an agency capacity. Such assets and liabilities are termed "administered items" because they are not controlled by the agency.

Note: Crown land dedicated to specific uses and under the control of a specific agency is to be recognised as an asset of that agency and is not to be recognised as an "administered asset". Accordingly, it is rare that an agency would have Crown land and not recognise it in its own financial statements. The Crown assets and liabilities administered by an agency must be reported in agency's State Revenues Prime lodgement (formerly known as S Agencies Return) to Treasury and should reconcile with agency's notes to the financial statements for administered activities.

1.3 Crown revenue unremitted at 30 June 2019

The purpose of this section is to bring Crown revenues collected and held in an agency's bank accounts as at 30 June to account in the CE ledgers. Please note Crown revenue should not be held in agency operating bank accounts for more than one working day in accordance with Treasurer's Direction 130.01. The Crown unremitted revenue therefore also includes any amounts in an agency's managed remitting bank account for the Crown as at 30 June that are not yet transferred to the ConFund.

1.4 Crown assets/liabilities, administered/non-administered, NOT required in this Return

The CE will extract the following assets/liabilities, being amounts owed by/to Crown, from agency's Prime data submitted to Treasury for the month of June:

- Unspent appropriations drawn down payable to ConFund (for applicable/owing agencies),
- Dividends/contributions payable to the ConFund,
- Income tax equivalents receivable/payable to the ConFund,
- Payroll tax payable to Revenue NSW, and
- TBS interest receivable from the CFE

Please **do not** include these balances in this Return.

2. Provision for redundancy payments

Treasury Circular NSW TC 12-01 *Funding for Redundancy Payments* details the requirements to obtaining reimbursement from the Crown for redundancy payments made by the agency. The funding assistance is available to all GGS agencies. Where there is justification, assistance may also be available to agencies which receive significant operating subsidies or budget funded grants to deliver programs.

Agencies with funding approved but not yet paid as at 30 June need to advise the CE so that appropriate provisions can be made.

Appendix D - Crown Data Return (continued)

3. Liabilities assumed by the Crown (show Crown liabilities in brackets)

3.1 LSL and superannuation

The CFE has assumed the LSL liability for certain GGS agencies and accounts for the LSL liabilities of members of the Agency Funded Crown LSL Pool. Accordingly, it is required to reflect all such unfunded liabilities in the CE's financial statements. Agencies should report the assumed LSL and on-costs liabilities in the Return.

Information regarding unfunded superannuation liabilities assumed by the CE will be provided directly by the Trustee's actuary.

Note: GGS agencies are to ensure that their expenses for superannuation and payroll tax on superannuation are fully accounted for in journals supplied to the CE as at 30 June 2019.

3.2 Certificate of Reconciliation of Agency's Provision for LSL

Certain GGS agencies' LSL liabilities and the related defined benefit superannuation on-cost are assumed by the Crown.

AASB 119 encourages the involvement of a qualified actuary in the measurement of post-employment benefit obligations. To ensure actuarial methodology consistency and reduce whole of government costs, Treasury has appointed an actuary to determine a shorthand valuation approach to calculate agencies' LSL expense. Agencies must ensure movements in the LSL liability for the year are accurately reflected in the CE ledger by completing the appropriate section of this Return.

Based on the information provided, the CE will advise agencies of the LSL liabilities assumed by the Crown. Refer to Appendix E and Treasury Circular NSW TC 18-13, *Accounting for Long Service Leave and Annual Leave*, or its replacement, for more information.

According to AASB 101, all unconditional LSL and related on-costs must be presented as **current liabilities** in the Statement of Financial Position.

Note 1: Some on-costs relating to LSL (e.g. payroll tax, worker's compensation insurance) are the responsibility of individual agencies. As such, they are not to be recouped from the CE and are not to be included in the reconciliation of LSL of this Return.

Note 2: Significant variations of 10% or more between the opening and closing balances of an agency's provision for LSL must be accompanied by a written explanation.

3.3 Defined benefit superannuation on-costs on annual leave for GGS agencies whose defined benefit superannuation is assumed by the Crown

Treasury Circular NSW TC 18-13 *Accounting for Long Service Leave and Annual Leave*, or its replacement, provides detailed instructions for the calculation of the defined benefit superannuation on-costs on annual leave.

Agencies should report the closing balance as at 30 June of the defined benefit superannuation on-costs on annual leave in section 3.3.1 of the Crown Data Return. Where the defined benefit superannuation is assumed by the Crown, additional superannuation liability accrued on the annual leave liability is also assumed by the Crown and is recognised as an expense and revenue.

Appendix D - Crown Data Return (continued)

3.4 LSL on-costs on annual leave for Crown Funded LSL Pool agencies

Treasury Circular NSW TC 18-13 *Accounting for Long Service Leave and Annual Leave*, or its replacement, provides detailed instructions for the calculation of the LSL on-cost on annual leave.

Agencies should report the closing balance as at 30 June of the LSL on-costs on annual leave in section 3.3.2 of the Crown Data Return.

Where the LSL is assumed by the Crown, any additional LSL liability accruing on the annual leave liability is also assumed by the Crown and is recognised as an expense and revenue.

4. Advances repayable to the State

In accordance with Treasurer's Directions 350.01-02, public sector entities are required to furnish a return of Treasurer's advances repayable to the Crown. Advances include amounts of money advanced to agencies to assist with working capital management and/or funding of natural disasters. Agencies that have received funds (via capital or recurrent allocations) that are used to provide loans to external parties and where the agency will refund the money to the CE are considered advances and should be included in the Advances repayable to the Crown return.

Agencies which have received funding for energy efficient equipment under the Treasury Loan Fund program are advised that the funding is an advance and is to be recorded appropriately.

5. Fair value of interest free and low interest advances and loans

Under AASB 9, interest free and low interest loans must initially be recognised at fair value (consistent with other financial instruments) and amortised cost thereafter. The fair value of a long-term loan or receivable that carries no interest or below market interest should be calculated as the present value of all future cash receipts, discounted using the prevailing market rate of interest at the time the advance was issued.

Any additional amount is generally an expense or revenue (generally classified as grant revenue or expense). Amortisation of the loan is recognised as investment revenue (or finance cost) using the effective interest rate method. Treasury Policy Paper TPP08-1 *Accounting for Financial Instruments* provides requirements and further information on this matter.

Agencies will need to agree with the CE the fair value and nominal value of loans as at 30 June 2019. Agencies should contact Mitra Karmakar (9228 5839) to agree these values before submitting the Return.

Appendix E LSL Return: Category 1 - Crown Funded LSL agencies and Category 2 - Agency Funded Crown LSL Pool agencies

Due date by: **17 June 2019**

Email to: Crown_Entity@treasury.nsw.gov.au

In accordance with Circular TC 18-13 Accounting for Long Service Leave and Annual Leave, or its replacement, please complete the **Long Service Leave Return**. The Long service Leave (LSL) Return has been prepared electronically in excel. The LSL Return and corresponding instructions will be emailed to Agencies by 30 April 2019.

Appendix F(i): Preliminary Annual Return Checklist

Forward to Treasury at the same time, as the preliminary Annual Return procedures are completed and submitted to the Audit Office (no later than 22 July 2019)

Email: agencyinfo@treasury.nsw.gov.au

Agency Name _____ Agency No.(Prime) _____

Annual Procedures	For yes "✓" and no "x"
<ul style="list-style-type: none"> • Submit 30 June 2019 reporting information into Period 12 in Prime (Scenario: SA0099 – June 2019). including "ES" agency data where applicable. Also refer Appendix G(i). 	
<ul style="list-style-type: none"> • Prepare pro forma financial statements in line with the Financial Reporting Code TPP 19-04 issued by Treasury and in accordance with Accounting Standards and Treasury's mandates Circular TC19-04. 	
<ul style="list-style-type: none"> • Confirm the agency complies with Treasury's mandatory accounting policies with a detailed explanation if it does not comply 	
<ul style="list-style-type: none"> • Explain any unresolved prior year audit issues including the proposed action plan to resolve them 	
<ul style="list-style-type: none"> • Attach journal, explanation and proposed disclosure where 2017-18 comparatives are amended due to the correction of a material error, or a change in accounting policy 	
<ul style="list-style-type: none"> • Assess the impact of new and updated accounting standards <ul style="list-style-type: none"> - Ensure supporting work papers evidence how the agency has considered and addressed the requirements of the new standards 	
<ul style="list-style-type: none"> • Identify and document accounting issues including all one-off, complex or significant transactions 	
<ul style="list-style-type: none"> - document the transactions using the template at Appendix J 	
<ul style="list-style-type: none"> - engage effectively with all affected stakeholders and agreed financial implications and accounting treatments, including with Treasury to ensure whole-of-government impacts are properly classified for consolidation 	
<ul style="list-style-type: none"> - outline and submit to Treasury the management judgements, assumptions undertaken, estimates and the basis of treatment 	
<ul style="list-style-type: none"> - update the ledgers, financial statements and note disclosures to reflect the treatment 	
<ul style="list-style-type: none"> - make available to Treasury where necessary any formal advice from external consultants 	
<ul style="list-style-type: none"> • Assess the impact of contingent assets and liabilities and note all quantifiable and non-quantifiable contingencies in the supplementary return 	
<ul style="list-style-type: none"> • Confirm management review of the financial statements and work papers and endorsement of the annual financial statements 	
<ul style="list-style-type: none"> • Confirm the 30 June 2019 Prime return reconciles to the financial statements provided to Treasury and the Audit Office 	
<ul style="list-style-type: none"> • Confirm management review and endorsement of the supplementary returns 	
<ul style="list-style-type: none"> • Confirm all intra government transactions are recorded and reconciled with the counterparty 	
<ul style="list-style-type: none"> • Confirm that the derived cash closing balance in the cash flow statement is correct and agrees to the statement of financial position (cash assets less bank overdraft) 	

• Agree all equity transfers > \$5 million with the counterparty	
• Submit this checklist to Treasury	

Appendix F(i): Preliminary Annual Return Checklist cont.

I confirm that the above Annual Return Procedures have been complied with, as indicated. Where Annual Return Procedures have not been complied with, an appropriate explanation is attached.

Signed: _____ **CFO / Authorised delegate** _____

Name of CFO/authorised delegate: _____

Agency Contact: (Name) _____ **(Tel)** _____

____ / 07 /2019

Appendix F(ii): Final Annual Return Checklist

Email: agencyinfo@treasury.nsw.gov.au

Agency Name _____ Agency No.(Prime) _____

Annual Procedures - Forward to Treasury within one day of receiving your Independent Audit Report from the Audit Office	For yes "✓" and no "x"
<ul style="list-style-type: none"> Submit final, audited financial statements to Treasury 	
<ul style="list-style-type: none"> Submit final Independent Audit Report and Engagement Closing Report to Treasury 	

Annual Procedures - Forward to Treasury within the later of three days of receiving your Independent Audit Report and the reopening of Prime for P13 re-submissions.	For yes "✓" and no "x"
<ul style="list-style-type: none"> Submit Final Prime Data Return for Period 13 in Prime. (Scenario: SY0099 – June 2019). Including "ES" agency data where applicable. (Note: All agencies are required to submit data into Prime Period 13, even if there are no changes to the data previously submitted into Prime Period 12) 	
<ul style="list-style-type: none"> Prepare a reconciliation, explaining and supporting all changes to Preliminary Period 12 and Final Period 13 Prime submissions. 	
<ul style="list-style-type: none"> Complete Schedule 5 of the Supplementary Return Comparing the Audited Financial Statements and Prime P13 data submission 	
<ul style="list-style-type: none"> Submit this checklist to Treasury together with the reconciliations referred to above. 	

I confirm that the above Annual Return Procedures have been complied with, as indicated. Where Annual Return Procedures have not been complied with, an appropriate explanation is attached.

Signed: _____ CFO / Authorised delegate _____

Name of CFO/authorised delegate: _____

Agency Contact: (Name) _____ (Tel) _____

____ / ____ / 2019

Appendix G(i): Prime for the Preliminary Annual Return

1. Actuals for the Total State Sector Accounts are completed first:

The following steps are undertaken after account balances are finalised and Prime account classifications and counterparties are checked in your upload file.

- Set the following **dimensions** in your upload file:
 - **Scenario:** SA0099 for Actuals or SP0099 for Projections
 - **Year:** 2019
 - **Period:** June
- On the **Home** screen, click on **Navigate**, then select **Applications**
- Under **Consolidation**, select **PRIME**. A new **PRIME** tab appears next to the **Home Page** tab
- Click on the triangle to expand the **Agency User** task list, then double-click on **FDMEE-Link**
- Upon establishing the FDMEE link, Prime will display the **Data Management** tab
- Click on **Data Load Workbench** to show the **Data Load Workbench** panel
- Click on the Location link to bring up the **Point of View (POV)** window to set the required POV:
 - Select your Agency
 - Set the **Period:** June 2019
 - Set the **Category:** Actual TB (trial balance only) or Actual TB MOV (if your upload file contains only movement schedules, or the trial balance and schedules)
- Upload data to agree to your financial statements. Please note that projections need to be uploaded separately and equal to actuals for 30 June 2019:
 - Set the **Category:** Projections TB (trial balance only) or Projections TB MOV (if your upload file contains only movement schedules, or the trial balance and schedules)
- Where applicable, general government agencies input programme data and Classification of the Functions of Government (COFOG) splits
- Run Prime financial reports to ensure that they agree and reconcile to the financial statements
- Complete the Prime supplementary schedule and ensure it reconciles back to Prime data
- If the cash flow statement is not deriving the correct closing cash balance, use the *REP153A - Non Cash Transactions Validations Report – Detailed Periodic (AASB 101)* to assist you to debug any misclassifications
- 'Promote' the file to Review Level 3
- Advise Treasury that 2018-19 Prime is complete by emailing to agencyinfo@treasury.nsw.gov.au the remainder of the Preliminary Annual Return i.e. the supplementary return and the financial statements by the due dates
- Treasury will review your preliminary Prime Data Return.

Appendix G(ii): Prime for the Final Annual Return

Treasury will advise you when Prime is available to update it with your audited financial information.

To update Prime for the Final Annual Return

- Set the following **dimensions** in your upload file:
 - **Scenario:** SY0099 for Actuals
 - **Year:** 2019
 - **Period:** June
- On the **Home** screen, click on **Navigate**, then select **Applications**
- Under **Consolidation**, select **PRIME**. A new **PRIME** tab appears next to the **Home Page** tab
- Click on the triangle to expand the **Agency User** task list, then double-click on **FDMEE-Link**
- Upon establishing the FDMEE link, Prime will display the **Data Management** tab
- Click on **Data Load Workbench** to show the **Data Load Workbench** panel
- Click on the Location link to bring up the **Point of View (POV)** window to set the required POV:
 - Select your Agency
 - Set the **Period:** June 2019
 - Set the **Category:** Actual AUDITED TB (trial balance only) or Actual AUDITED TBMov (if your upload file contains only movement schedules, or the trial balance and schedules)
- Upload data to agree to your financial statements. Please note that projections need to be uploaded separately and equal to actuals for 30 June 2019:
 - Set the **Category:** Projections TB (trial balance only) or Projections TB MOV (if your upload file contains only movement schedules, or the trial balance and schedules)
- Where applicable, general government agencies input programme data and Classification of the Functions of Government (COFOG) splits
- Run Prime financial reports to ensure that they agree and reconcile to the financial statements
- If the cash flow statement is not deriving the correct closing cash balance, use the *REP153A - Non Cash Transactions Validations Report – Detailed Periodic (AASB 101)* to assist you to debug any misclassifications
- 'Promote' the file to Review Level 3
- Email a copy of your audited financial statements, Independent Auditor's Report, Engagement Closing Report and Management Letter to agencyinfo@treasury.nsw.gov.au.

Note: You are still required to upload and “Promote” your audited Prime data back to Treasury even if there have been no changes between your preliminary and audited financial statements.

Appendix H: Changes to Accounting Standards 2018-19

Below is a list of all new/revised Accounting Standards applicable for the first time in 2018-19.

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The new standard also introduces expanded disclosure requirements and changes in presentation. Please refer to the Financial Reporting Code TPP 19-04 for specific details.

AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15: For profit only

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 will supersede the current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related Interpretations.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The standard permits either a full retrospective or a modified retrospective approach for the adoption. **Treasury mandates a full retrospective approach.**

AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

This Standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- Share-based payment transactions with a net settlement feature for withholding tax obligations
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 with AASB 4 Insurance Contracts

This Standard amends AASB 4 Insurance Contracts to permit issuers of insurance contracts to:

- Choose to apply the ‘overlay approach’ that involves applying AASB 9 and also applying AASB 139 *Financial Instruments: Recognition and Measurement* to eligible financial assets to calculate a single line item adjustment to profit or loss so that the overall impact on profit or loss is the same as if AASB 139 had been applied; or
- Choose to be temporarily exempt from AASB 9 when those issuers’ activities are predominantly connected with insurance, provided they make additional disclosures to enable users to make comparisons with issuers applying AASB 9.

AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities

This Standard amends the mandatory effective date (application date) of AASB 15 for not-for-profit entities so that AASB 15 is required to be applied by such entities for annual reporting periods beginning on or after 1 January 2019 instead of 1 January 2018.

Accordingly, NSW not-for-profit public sector entities will apply AASB 15 from FY 2019/20.

AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments: **For profit only**

The amendments clarify certain requirements in:

- AASB 1 First-time Adoption of Australian Accounting Standards – deletion of -short-term exemptions for first-time adopters and addition of an exemption arising from AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration.
- AASB 128 Investments in Associates and Joint Ventures – clarifies that a venture capital organisation, or a mutual fund, unit trust and similar entities may elect at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture.

An entity that is not an investment entity, when applying the equity method, may elect to retain the fair value measurement applied by its associates and joint ventures that are investment entities. This is available separately for each investment entity associate or joint venture.

- AASB 140 Investment Property – clarifies that an entity transfers a property to, or from, investment property when, and only when, there is a change in use of the property. If a property has changed use there should be an assessment of whether the property meets the definition and such change must be supported by evidence.

AASB 2017-3 Amendments to Australian Accounting Standards – Clarifications to AASB 4

The amendments confirm that in Australia, compliance with AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* ensures simultaneous compliance with AASB 4.

The Standard also amends AASB 4 to ensure the relief available to issuers of insurance contracts set out in AASB 2016-6 can be applied by an entity applying either AASB 1023 and AASB 1038 if the entity otherwise meets the qualifying criteria.

AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections

This Standard defers the mandatory effective date (application date) of amendments to AASB 10 and AASB 128 that were originally made in AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2022 instead of 1 January 2018.

Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration.

Appendix I: 2018-19 Resolution of Emerging Issues previously advised to Treasury as part of the Mandatory Early Close (TC 19-01)

Due date: 22 July 2019

Email: agencyinfo@treasury.nsw.gov.au

Agency Name _____ **Agency No. (Prime)** _____

Where appropriate attach further information e.g. extracts from pro-forma notes to financial statements

- As part of the Mandatory Early Close did you report any emerging issues with an impact of more than \$5 million? Yes / No

If yes, what was the nature of the issue(s), and how was this resolved in the agency's Financial Statements. If appropriate attach an Accounting Issue Resolution Paper (Appendix J).

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Examples of emerging issues include:

- unresolved accounting policy issues or other matters which the Audit Office has indicated may lead to the qualification of the Independent Auditor's Report.
 - complex transactions and contracts
 - key risk areas that could impact the quality or timeliness of your financial statements
 - significant asset revaluations particularly those involving estimation uncertainty
 - significant revenue /expense items – i.e. significant in size compared to the previous year (It is not necessary to report to The Treasury about superannuation, as it is generically volatile)
 - significant adjustments direct to equity – for example from agency restructures
 - new disclosures resulting from the adoption of accounting standards, changes in accounting policies
 - discontinuing operations, sale of a significant asset, new business acquisitions etc.
 - the accounting treatment of new privately financed projects
 - new or significant changes to contingent liabilities/assets
- Does management plan to amend the 2018-19 financial statements for the emerging issue? Yes / No
 - Have management's positions on the above emerging issues been provided to the Audit Office? Yes / No / N/A

Audit Office

- For any unresolved emerging issues, what date has the audit team indicated that it plans to report to your organisation its observations based on the audit procedures conducted at the early close? ____/____/2019 or N/A

Signed: _____ **Chief Finance Officer** _____ **(Name of CFO)**

Agency Contact:(Name) _____ **(Tel)** _____
 ____/____/2019

Appendix J: Accounting Issue Resolution Paper (Template)

Email: agencyinfo@treasury.nsw.gov.au

Agency Consideration:

Date Prepared	<i>[insert date prepared]</i>		
Date Updated	<i>[insert date revised if applicable]</i>		
Agency	<i>[insert name of Agency that the issue relates]</i>	Agency #	<i>[insert]</i>
Preparer	<i>[insert name of the preparer of this Position Paper]</i>		
Issue	<i>[insert brief description of the nature of the issue being addressed]</i>		

Background:

[Describe the background to the current issue and any related information which better frames how the issue arose and the current difficulties being faced by the agency]

Stakeholders:

[Describe the key stakeholders impacted by this issue and how they have been consulted]

Description of Issue:

[Provide a detailed description defining the current issue faced by the agency]

Consideration of Accounting Treatment:

Agency Policy:

[Identify any accounting policies or standards which directly relate to addressing the issue. Consideration should include:

- *Accounting Standards*
- *Treasury Policies & Circulars*
- *Agency Specific Policies]*

Are adopted accounting policies/treatment aligned with Accounting Standards? Yes / No

Technical Analysis & Options:

[Describe the agency's position and interpretation of policies and accounting standards- including any advice provided by an accounting firm or other specialist. Further, outline any options available on how the issue may be interpreted and addressed – e.g. through interpretations of the policy and standards or through differences of opinion]

Proposed Accounting & Finance Impact including Disclosures:

Does the transaction require retrospective or prospective adjustments (refer AASB 108)?

Yes / No

If retrospective adjustments are required, demonstrate that the adjustment required is 'material', indicate the historical periods and amounts that require adjustment in the template below.

Please provide journals taking into consideration any impact to prior year financial statements and all impacts to the financial statements, including the reasons for the transaction.

Financial Impact (\$000)	2018-19	2019-20	2020-21	2021-22	2022-23
Budget Result (-ve worsens)					
Operating Result					
Net Lending					
Financial Statement (-ve worsens)					
Balance Sheet					
Operating Statement					
Financial Impact (\$000)	2013-14	2014-15	2015-16	2016-17	2017-18
Prior Year Financial Statements (-ve worsens)					
Balance Sheet					
Operating Statement					

Concluding Position:

[Describe the final position/option that the Agency has identified to be the most appropriate recommendation]

Agency Sign Off & Review:

Sign-off	Role	Signature	Date
[insert name]	Financial Accountant (Preparer)		
[insert name]	Financial Manager (Reviewer)		
[insert name]	Agency CFO (Reviewer)		

Appendix K: Where to go for help

Prime Questions

Agency Treasury Analysts – General Queries

Andrew Azar	9228 5164
Angela Kelly	9228 3352
Anne Bible	9228 4282
Hugh Wilson	9228 3167
Jane Gu	9228 4450
Mathew Do	9228 3322
Natalie Seal	9228 5744
Tatiana Carlisle	9228 4591

System Queries, e.g. Prime system access, Prime upload facility
Prime Service Desk

Prime Functionality (including Training)

David Tonkin 9228 4638

Supplementary Return - definitions and classifications

Tatiana Carlisle 9228 4591

Emerging Issues, Correction of Material Prior Period Errors

Angela Kelly 9228 3352
Mathew Do 9228 3322

Su-Lin Macdonald 9228 4410
(Accounting Policy)

Treasury's Return Address

Remember to “Promote” the Prime data back to Treasury (Review Level 3) upon completion. The rest of the Annual Return should be forwarded electronically to Treasury by the due date to: agencyinfo@treasury.nsw.gov.au

Please include your agency Prime number, agency name and ‘Annual Return 2019’ in the subject title when emailing to Treasury.

Appendix K: Where to go for help (Crown Entity)

Banking, cash management and interest payments

Henriette Prego	9228 3873
Jin Kang	9228 4150

Debt management

Mitra Karmakar	9228 5839
Charles Cheung	9228 4604

Advances

Mitra Karmakar	9228 5839
Charles Cheung	9228 4604

Fringe Benefit Tax

Henriette Prego	9228 3873
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Crown guarantees

Leigh Nguyen	9228 4148
Matt Conrow	9228 5382

Liability for Unspent Appropriations Drawn Down (previously referred to as the “Liability to the Consolidated Fund)

Agency Treasury Analyst	Various
Natalie Seal	9228 5744

Long service leave arrangements

Mitra Karmakar	9228 5839
Charles Cheung	9228 4604

Appropriations payments

Ramesh Nand	9228 3138
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Reimbursement of Crown expenses

Mai Oxley	9228 5346
Hitesh Shakya	9228 5842

Commonwealth grants

Jin Kang	9228 4150
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Crown accounting policy

Leigh Nguyen	9228 4148
Matt Conrow	9228 5382

Other correspondence:

Email: Crown_Entity@treasury.nsw.gov.au

Appendix L: Resources/Links

Treasury Resources

NSW Treasury Policy Papers, Treasury Circulars, Treasury Analysis of Australian Accounting Standards, and other Treasury publications

<https://www.treasury.nsw.gov.au/documents-resources/documents-library>

Public Finance and Audit Act 1983

<https://www.legislation.nsw.gov.au/#/view/act/1983/152>

Prime Knowledge Base

https://nswtreasury.service-now.com/primesupportportal?id=kb_view2

External Resources

Government Sector Employment Act 2013

http://www7.austlii.edu.au/cgi-bin/viewdb/au/legis/nsw/consol_act/gsea2013346/

The Government Sector Finance Act 2018

<https://www.treasury.nsw.gov.au/budget-financial-management/reform/government-sector-finance-act-2018-0>

CPA Australia

<https://www.cpaaustralia.com.au/professional-resources/reporting>

Australian National Audit Office

Preparation of Financial Statements by Public Sector Entities

<https://www.anao.gov.au/work/better-practice-guide/review-anao-better-practice-guides>
<https://www.anao.gov.au/work/better-practice-guide/review-anao-better-practice-guides>

Appendix M (i): Financial Statement Variance Analysis

Email: agencyinfo@treasury.nsw.gov.au

The variance analysis template that is to be completed for your agency financial statements will be emailed to you with the Annual Circular.

All agencies must complete detailed variance analysis for the year to 30 June 2019, for any variances greater than the lower of 10% or \$50 million. The variance analysis should include:

- Comparison of your agencies actual 2018-19 financial performance and financial position to the 2017-18 financial performance and financial position
- Comparison of your agencies actual 2018-19 financial performance and financial position to the original budgeted 2018-19 financial performance and financial position in accordance with AASB 1055

Your agency's Treasury Analyst will be in contact with you to discuss the variances for your agency post submission of your Prime data. These queries will be on a more detailed (account level) basis. However, the quality of your Appendix M(i) submission should limit the amount of additional queries from Treasury.

Appendix M (ii): Preliminary vs Final Prime Submission

The reconciliation template that is to be completed to compare your Preliminary and Final Prime submissions will be emailed to you with the Annual Circular. These explanations should provide an auditable basis for justifying the movements between the consolidated closing balances of the State and subsequent movements.