



Treasury

June 2020

TPP

20-05

Policy and Guidelines Paper

Agency Direction for the 2019-20 Mandatory Annual Returns to Treasury

Preface

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 Total State Sector Accounts)
- 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 Total State Sector Accounts produced by Treasury are subject to public scrutiny. It is important, therefore, that each 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 statements Treasury produces based on each 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 2018-19 receiving an unqualified audit opinion. The Auditor-General reported that Agency 2018-19 financial statements submitted for audit and used for the whole-of-government reporting, contained a decrease 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/excel.

In the current environment, although it is important to ensure we get quality and timely information, the wellbeing of staff is also very important.

We do still have a statutory reporting requirement to comply with, but given the current pressure we are all under, we have managed to provide some relief to Agencies by revising the Year-end timetable.

If Agencies are able to submit earlier, please can they advise their Audit Office contacts and Treasury contact so that we can plan accordingly.

Stewart Walters
Chief Financial and Operations Officer
NSW Treasury

June 2020

Note

General inquiries concerning this document should be initially directed to:
Financial Management, Reporting & Analysis Division, NSW Treasury; Agencyinfo@treasury.nsw.gov.au .
This publication can be accessed from the Treasury's website www.treasury.nsw.gov.au/.

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Mandatory Annual Returns

1. Mandatory Annual Returns

1.1 Summary of Submissions

The Mandatory Annual Returns apply to all NSW public sector Agencies, including State Owned Corporations, that are required to submit Prime returns. Annual Returns constitute the financial statements and associated schedules/notes that reflect the Agency's financial performance during the year and financial position at the end of the year. Agencies are required to submit the following returns to Treasury by the specified dates, including for financial transactions and activities administered by the Agency on behalf of the Crown (i.e. S entities):

Submission	Due Date
Crown Data Returns	24 July 2020
Prime Data Return	31 July 2020
Preliminary Annual Return	5 August 2020
Supplementary Return	5 August 2020
Resolution of Emerging Issues previously advised to Treasury	5 August 2020
Financial Statement Variance Analysis	21 August 2020
Final Annual Return	Various

Agencies must develop a detailed plan with key stakeholders to allow for submission of information referred to above. The plan must be developed in consultation with key stakeholders, including the Audit Office of New South Wales, and incorporate sufficient time for management review and involvement of the Audit and Risk Committee of the Agency.

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

- Engage proactively with the Audit Office of New South Wales 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 and Agencies Audit and Risk Committees of emerging issues or likely misstatements.
- 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 following information provides guidance and templates to assist Agencies in completing the Annual Returns to Treasury for the 2019-20 Financial Year.

Please refer to detailed timetable in [Appendix A](#), noting the first return is due on 17 June 2020.

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

i. Crown Data Return (CDR)

2019-20 Financial Accounting Arrangements for the Crown Entity (CE)

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 24 July 2020. Further details are contained in the attached Guidance, with the CDR in [Section 1.2](#) and [Appendix D](#).

ii. Prime Data Return (including “ES” Agency data where applicable)

Agencies submit their 30 June 2020 Prime return consistent with the 2019-20 draft financial statements by 31 July 2020. Agencies submit data into Period 12 (Scenario: SA0099 – June 2020). Please refer to [Appendix G\(i\)](#) for instructions.

iii. Preliminary Annual Return

Submission due by 5 August 2020:

- Completed 2019-20 financial statements as prepared for audit;
- Updates to Prime Data Return (including “ES” Agency data where applicable), for any changes since 31 July 2020
- Supplementary Return in Prime (see Section 1.1.iv below), excluding “ES” Agency data
- Preliminary Annual Return Checklist ([Appendix F\(i\)](#))
- Details of the correction of material prior period errors
- 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 2020, 12 May 2020 and 22 June 2020; 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](#))

Other Submission due by 21 August 2020:

- Financial Statement Variance Analysis ([Appendix M \(i\)](#))

Other Submission due by 31 August 2020:

- Revisions to Preliminary Annual Returns ([Appendix B](#)).

iv. Supplementary Return

The Agency is required to complete the Supplementary Return in Prime and the new accounting standard disclosure Supplementary Return excel template as part of the Preliminary Annual Return, excluding “ES” Agency data. **Agencies must ensure that the information reconciles to their financial statements.**

- a. The Supplementary Return in Prime 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.
- b. 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 PPE movement reconciliation require a dissection of movements with 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 total movements reported in the PPE notes to your financial statements. Refer to Appendix A3 of the 2019-20 Budget Paper No.1 (www.treasury.nsw.gov.au) if you require a list of NSW public sector Agencies by sector classification.

- c. Refer to the Supplementary Return User Guide on Prime for further guidance to assist you to prepare the Supplementary Return: Prime > Application Tasks > Documents > expand User documents.
- d. The excel template is a once off requirement to capture information to account for the new accounting transition disclosure.

v. *Resolution of Emerging Issues previously advised to Treasury and Agencies Audit and Risk Committee*

The Agency is required to complete and email the completed [Appendix I](#) 'Resolution of Emerging Issues previously advised to Treasury as part of the Mandatory Early Close' and [Appendix J](#) 'Accounting Issues Resolution Papers' prepared on the identified Emerging Issues to Agencyinfo@treasury.nsw.gov.au with the other components of the Preliminary Annual Return. This includes any other Emerging Issues identified subsequent to the submission of the Returns on Emerging Issues and the details of the resolution of these issues. Agencies must notify its Audit and Risk Committee of emerging issues reported to Treasury.

vi. *Final Annual Return*

- a. due within one day of receiving the signed Independent Auditor's Report, comprises:
 - Audited financial statements
 - Independent Auditor's Report on Agencies financial statements
 - Engagement Closing Report issued to your Agency by the Audit Office of New South Wales
 - Management Letter (within one day of receipt from the Audit Office of New South Wales).
- b. 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 "S" Agency data where applicable). Agencies submit data into Period 13 (Scenario: SY0099 – June 2020). 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. Please refer to [Appendix G\(ii\)](#) for instructions.
 - Final Annual Return Checklist ([Appendix F\(ii\)](#))
 - 'P13 SY0099' Schedule 5a Return (Reconciliation between preliminary and final Prime return) of the Supplementary Return (no other schedules are required as part of the final annual return). Detailed instructions can be found on the Prime Knowledge Base (see [KB0011379](#)). These explanations should provide an auditable basis for justifying the movements between the consolidated closing balances of the State and subsequent movements.

1.2 Detailed Guidelines for Crown Data Return

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 2020.

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.

The CFE is required to report on those service-wide revenue, assets, liabilities and transactions that are the overall responsibility of the Government rather than being the responsibility of individual departments and statutory bodies.

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.

a) Banking arrangements

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.

b) Payments to the Crown Entity

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**.

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 2020 to 30 June 2020 inclusive.

c) Unpaid cheque accounts operated on behalf of the ConFund

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 15 July 2020.

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.

d) Appropriation Payments

Final appropriation payments will be paid on 24 June 2020.

Reimbursement of all other expenditures except for LSL and unclaimed moneys will be made up to and including 25 June 2020.

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 2020 (refer Supplementary return for the calculation template).

e) Long Service Leave (LSL) - Calculation of the present value of LSL for the Crown Funded LSL Agencies and the Agency Funded Crown LSL Pool

LSL must be accounted for in accordance with *AASB 119 Employee Benefits* (AASB 119) 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 2020.

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
- accrue for the on costs of Long Service Leave whilst the employee is on Annual Leave.

f) LSL - Expensing the accruing cost of LSL for the Crown Funded LSL Agencies

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).

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.

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.

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 13 July 2020.

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

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 2020. The payment will ensure that the correct portion of all 2019-20 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.

h) LSL - Recoupment of LSL

Amounts payable for June 2020 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 26 June 2020.

i) Unclaimed money

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 2020 for credit of the Consolidated Fund Receipts A/C 76730 - Transfers under Section 14 of the *Public Finance and Audit Act 1983*.

j) Reconciliation with the Crown Entity ledger

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 24 July 2020. Note that Agencies' ledgers must agree with the CE ledger as at 30 June 2020.

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.

The full June month end printouts will be emailed to Agencies on 15 July 2020.

Any discrepancies are to be reported to the CE as soon as possible to allow sufficient time for resolution.

For enquiries regarding the ledger printouts, contact Mai Oxley (9228 5346) or Hitesh Shakya (9228 5842).

k) Commonwealth funding with sufficiently specific performance obligations

AASB 1058 Income of Non-for-Profit Entities (AASB 1058) and *AASB 15 Revenue from Contracts* (AASB 15) with Customers are effective for not-for-profit entities for the years beginning on or after 1 January 2019. To comply with these new Accounting Standards, revenue adjustments need to be posted in the financial statements of the CE, in relation to federal funding with sufficiently specific performance obligations which are distributed to departments and Agencies via the appropriations process. Departments and Agencies that are receiving such federal funding through appropriations/cluster grants are responsible for identifying and calculating the revenue adjustments. Agencies must submit this information via the Crown Data Return. See [Appendix D](#) for more details.

1.3 Detailed Guidelines for Preliminary Annual Return

As part of the Mandatory Annual Return, the following should be performed (Refer to [Section 1.4](#) below for COVID-19 considerations):

a) Finalise revaluations of property, plant and equipment conducted as part of the Treasurer's Direction on Mandatory Early Close as at 31 March each year (TD19-02)

Revaluations should be based on appropriate methodologies and records kept to support this valuation at 30 June each year.

b) Document the fair value assessment of property, plant and equipment

Demonstrate and document why assets have been placed in each level of the valuation hierarchy under Australian Accounting Standard *AASB 13 Fair Value Measurement* (AASB 13). For instance, valuations with Level 2 classifications should not contain significant unobservable inputs.

c) Update employee annual leave provisions

Reconciliation and calculation of annual leave provisions must be completed. The balances calculated for the early close 31 March Financial Statements must be rolled forward with adjustments for monthly accruals and actual payments as part of the 30 June Financial Statements.

d) Agree and confirm inter and intra (cluster) Agency transactions and balances

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.

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.

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
- the amounts reported in the financial statements are consistently applied by the Agencies, and in the same financial period.

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 of New South Wales during its audit process.

e) Document significant management judgements and assumptions made when estimating transactions and balances

Significant management judgements and assumptions are required to be documented and made available for review by Treasury and the Audit Office. This documentation must summarise the accounting issue, set out management's evaluation of the issue and its conclusion. Accounting issue resolution papers should be concise, ideally no longer than three pages in length. [Appendix J](#) provides a template for the reporting of the resolution on accounting issues.

Agencies should collect and retain appropriate documents to support significant judgements and significant assumptions made when estimating transactions and balances, and to record the process used to arrive at those assumptions. Examples include:

- discount rates used in determining present values
- estimated useful lives of assets
- inputs into actuarially determined balances
- asset revaluations and impairment
- valuation of and accounting for financial instruments.

Management judgement may be required in determining, for example whether:

- an entity is classified as for-profit or not-for-profit
- major assets are classified within levels 1, 2 or 3 in the AASB 13 hierarchy
- the entity controls a subsidiary (*AASB 10 Consolidated Financial Statements* (AASB 10) and *AASB 11 Joint Arrangements* (AASB 11)) with less than half the voting power
- an asset meets the criteria to be classified as held for sale
- a property qualifies as an investment property
- related party transactions are material and require disclosure per *AASB 124 Related Party Disclosure*
- the going concern basis of accounting is appropriate.

Agencies should engage effectively with all affected stakeholders and agree financial implications and accounting treatments, including NSW Treasury to ensure whole-of-government impacts are properly classified for consolidation. On conclusion Agencies should update the ledgers, financial statements and note disclosures to reflect the treatment and make available to NSW Treasury where necessary any formal advice from external consultants. It is the Principal Cluster Agency's responsibility to ensure new/changes to accounting treatment are consistent within its cluster.

f) Prepare balance sheet account reconciliations

Agencies must:

- i. reconcile balance sheet accounts monthly, including the valuation of employee leave and other key provisions.
- ii. clear reconciling items, including resolving outstanding items of bank and other key (debtor/creditor) reconciliations.

g) Reconcile the June month-end Prime Data Submission to the pro forma 30 June Financial Statements using Schedule 5a of the Supplementary Return

Agencies must provide explanations for variances exceeding \$5 million. The reconciliation is to be captured via Schedule 5a of the Supplementary Return in Prime.

h) Review and agree changes in accounting policy with the Agencies Principal Cluster Agency

Accounting adjustments, particularly arising from changes in accounting policies, changes in accounting estimates and errors, are categorised with an assessment of requirements for any prior period(s), opening balance adjustments, or future year impacts – in particular, focus on classification and adjustments arising from revaluations.

i) Prepare notes to Financial Statements

The Agency must prepare note disclosures including prior year comparative information and all narrative disclosures. The Agency must prepare and make available to the Audit Office of New South Wales, on request, monthly account reconciliations in support of key balances as part of the working papers to support the notes to Financial Statements.

Agencies must provide/action:

- comparative information
- current year-to-date figures
- updated accounting policies
- notes to the accounts, which must be updated to reflect new and revised accounting standards (see below) and Treasury policies
- consideration of the possible effects of accounting standards issued but not yet effective
- impact of restructures.

j) Contingent Assets and Contingent Liabilities and Financial Guarantees

Accounting Standard *AASB 137 Provisions, Contingent Liabilities and Contingent Assets* (AASB 137) requires disclosure of contingent assets and contingent liabilities in the financial statements. The Crown Entity will report on contingent assets and contingent liabilities that are not the responsibility of any other State Sector Agency (i.e. not disclosed in the financial report of the Agencies) but are the responsibility of the Crown Entity.

Contingent assets and liabilities that are the responsibility of specific Agencies should be disclosed in the Agency's own financial statements.

All NSW public sector Agencies are required to complete and submit the Contingent Assets and Contingent Liabilities, and Financial Guarantees Returns as at the end of the financial year. The Returns will be included in the Supplementary Return required by Treasury as part of the Mandatory Annual Returns to Treasury process.

AASB 9 Financial Instruments (AASB 9) requires recognition of any liability for financial guarantee contracts in the Statement of Financial Position.

Agencies must separately identify financial guarantees, and any other instruments of assurance (refer to Treasury Policy Paper TPP17-08 *Requirements for Issuing, Managing and Reporting Instruments of Assurance*) that are issued with the Crown's backing as well as those issued without it in completing the Financial Guarantees Return for Treasury.

k) Consultants and Other Contractors expense

A 'consultant' is a person or organisation engaged under contract on a temporary basis to provide recommendations or professional advice to assist decision-making by management. Generally, it is the advisory nature of the work that differentiates a consultant from other contractors. Services provided under the NSW Government Legal Services Panel are excluded from the definition of a consultant for annual reporting purposes. Please record Consultants expense to Prime account AE208020001 *Consultant Expenses*.

An 'other contractor' expense is any individual or organisation (other than a consultant) who is engaged to undertake work that would or could be regarded as normally undertaken by an employee, but internal expertise is not available. Other contractors, however, excludes personnel service expenses (disclosed as a separate line item, per Treasury Circular TC15-07 *Financial and Annual Reporting requirements arising from personnel service arrangements*) and contractors related to maintenance (disclosed as part of maintenance expense). Please record Contractors expense to Prime account AE208040001 *Contractor Expenses*.

l) Variance analysis – [Appendix M\(i\)](#)

All Agencies must complete detailed variance analysis for the year to 30 June 2020. The variance analysis should include:

- i. Comparison of your Agency's actual 2019-20 financial performance and financial position to the 2018-19 financial performance and financial position
- ii. Comparison of your Agency's actual 2019-20 financial performance and financial position to the original budgeted 2019-20 financial performance and financial position in accordance with *AASB 1055 Budgetary Reporting* (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.

m) Agencies to notify Treasury of events after the reporting period

The Agency is 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 Australian Accounting Standard *AASB 110 Events after the Reporting Period* (AASB 110).

n) Financial Arrangements

The Agency must ensure they have adequate financial arrangement approvals on record in accordance with section 6.23 of the GSF Act.

o) Impact and Assessment of New Accounting Standards.

The following is a guide and Agencies should discuss and agree on specific requirements with their audit teams:

- i. AASB 15 is effective for not-for-profit entities for financial years beginning on or after 1 January 2019. To effectively implement AASB 15, Agencies will need to have:
 - reviewed its current contracts with customers
 - ensured contracts registers are complete
 - prepared for increased disclosures in the financial statements
 - assessed whether existing systems can capture key information requirements of the new standard
 - considered the impact on reporting to stakeholders regarding the Agency's financial position and performance
 - provided appropriate guidance to audit and risk committees.

Detailed working papers will be required, evidencing compliance with the requirements of AASB 15, such as working papers to support:

- management's key decisions and judgements made. For example whether contracts are in the scope of AASB 15, identification of performance obligations, determination and allocation of the transaction price, timing of revenue recognition
 - financial statement disclosures.
- ii. AASB 1058 is effective for not-for-profit entities for financial years beginning on or after 1 January 2019. AASB 1058 will need to be considered in conjunction with AASB 15 to determine how to record transactions.

To determine the applicable standard, the Agencies will need to have:

- determined the fair value of assets provided on non-commercial terms (at significantly less than their fair value)
- reviewed existing and new grant agreements
- assessed whether existing systems can capture key information requirements of the new standard
- considered the impact on reporting to stakeholders regarding the Agency's financial position and performance
- provided proper guidance to audit and risk committees.

Detailed working papers will be required, evidencing compliance with the requirements of AASB 1058, including S Agency Returns where Commonwealth funding is received and sufficiently specific performance obligations are attached, such as working papers to support:

- management's key decisions and judgements made. For example which standard each revenue stream should be recognised under, which grants required the recognition of liabilities relating to the acquisition or construction of non-financial assets, the fair value of assets received on non-commercial terms, fair value of volunteer services
 - financial statement disclosures.
- iii. *AASB 16 Leases* (AASB 16) is effective for financial years beginning on or after 1 January 2019.

To effectively implement AASB 16, the Agencies will need to have:

- reviewed its current lease agreements
- ensured lease registers/databases are complete
- assessed whether existing systems can capture key information requirements of the new standard
- considered the impact on reporting to stakeholders regarding the Agency's financial position and performance
- provided proper guidance to audit and risk committees.

Detailed working papers will be required, evidencing compliance with the requirements of AASB 16, such as working papers to support:

- management's key decisions and judgements made. For example whether contracts contain a lease, its assessment of whether there is reasonably certainty to exercise lease options, discount rate.
 - financial statement disclosures.
- iv. *AASB 1059 Service Concession Arrangements: Grantors* (AASB 1059) is effective for NSW public sector entities for the 2020–21 financial year.

To prepare for the changes, the following Agencies will need to:

- assess the terms and conditions of existing arrangements with private sector operators to assess whether they fall within the scope of AASB 1059 and meet the criteria for recognition as a Service Concession Arrangement (SCA) or whether they are a leasing or outsourcing arrangement
- where AASB 1059 does not apply, assess whether arrangements are a lease (under AASB 16), outsourcing or privatisation, and are accounted for appropriately
- develop an implementation plan to apply AASB 1059 including obtaining appropriate asset valuations
- consider the impact on reporting to stakeholders regarding the financial position and performance
- ensure proper guidance is provided to audit and risk committees.

Detailed working papers will be required, evidencing compliance with the requirements of AASB 1059, such as working papers to support:

- management's key decisions and judgements made, for example whether the arrangement falls within the scope of AASB 1059, the fair value of the SCA at the inception of the arrangement, determining the asset and service components of the arrangement, pattern of revenue recognition under the grant of a right to the operator model
- financial statement disclosures.

Treasury will issue a Policy and Guidelines Paper to replace TPP 06 8 'Accounting for Privately Financed Projects' which will include guidance on recognition, measurement, disclosures and determining the appropriate transitional accounting.

p) Liability for Lapsed Appropriations Drawn Down'

Calculate any 'Liability for Lapsed Appropriations Drawn Down' as at 30 June – to be disclosed in the Summary of Compliance as part of the Agency's financial statements and in the **Supplementary Return** in Prime (Forms 12a "Liability for the Lapsed Appropriation" and 12b "Liability for the Lapsed Appropriation - Worksheet"). The Supplementary Return has full instructions on the calculation of the liability.

q) Agencies must update financial instruments

The Annual TCorpIM 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 2020.

r) 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 discount rate.

Note: State Owned Corporations (SOCs) and TCorp must apply the 30 June High Quality Corporate Bond Yield when calculating their defined benefit superannuation liability and 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, using the 30 June 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 State Sector reporting at 30 June, which continues to be based on the 30 June Government Bond rate.

All other Agencies must use the 30 June Government Bond rate to discount their insurance, superannuation, and other employee liabilities.

s) Correct classification of accounting balances and transactions

In accordance with Australian Bureau of Statistics (ABS), Government Finance Statistics (GFS) classifications in conjunction with Treasury, ensuring correct Prime coding for whole of government reporting.

Classification of the Functions of Government (COFOG) data is used to report information on revenue disaggregation and expenses and assets by function in the notes to the Total State Sector Accounts. 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.

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 program data has been entered accurately and review major movements between reporting periods.

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.

t) Restructures and Discontinued/Abolished Agencies

Identify and document the approach adopted for the changes to legislation impacting Agency structures and/or financial reporting requirements.

Restructures, discontinued and/or abolished Agencies will impact financial reporting requirements. The effects of such changes need to be assessed for each entity. For part year financial reporting requirements of an Agency that has been abolished or dissolved, financial statements should reflect all necessary disclosures that are required due to restructures.

Agencies should refer to *TPP09-3 Contributions by owners made to wholly-owned Public Sector entities* and *AASB 1004 Contributions for guidance on the designation of asset/liabilities transfers as transfers of equity*.

u) Approvals for certain transactions within Delegation

Evidence of appropriate delegations for all material transactions is required to be provided to Treasury.

Under the *Government Sector Finance Act 2018*, all transactions require a relevant authority. Agencies need to ensure financial statement work papers include evidence of authorities and approvals within delegations for significant items such as:

- restructured arrangements
- material, complex or one-off transactions
- equity transfers.

Relevant authority might be evidenced by such things as:

- Treasurer's Directions
- Secretary/Chief Executive/CFO Delegations (financial).

v) Review and resolve prior year Management Letter and Engagement Closing Report issues

Agencies should review all prior management letters and audit engagement closing reports to consider appropriate management responses and actions. Agencies should:

- document evidence of management's review of issues raised and endorsement of the solutions/approach including those now resolved
- assign responsibility for issue resolution to appropriate staff
- update the ledgers, financial statements and note disclosures to reflect the solutions/approach
- retrospectively restate comparative information where applicable to reflect new treatment and advise Treasury accordingly
- engage with auditors, Treasury and other stakeholders as required.

1.4 Accounting and Disclosure impacts of Natural Disaster and COVID-19

A number of Agencies may have been impacted by floods, drought, bushfire and COVID-19 through the year. The guidance only provides a brief summary of the requirements in *AASB 101 Presentation of Financial Statements* (AASB 101), and Agencies should refer to AASB 101, the disclosure requirements within applicable accounting standards and *TPP 20-01 Financial Reporting Code for NSW General Government Sector Entities* where applicable when preparing disclosures. Agencies must consider the impact of these on the 30 June 2020 financial statements.

Agencies should also ensure any disclosures relating to COVID-19 made *outside* of the financial statements are consistent with disclosures in their financial report.

Factors to consider include, but are not limited to:

a) Heightened disclosures are expected in the current COVID-19 environment

The economic uncertainty related to COVID-19 makes the need for full disclosure of judgements, assumptions and sensitive estimates particularly important.

The key requirements for disclosures of significant judgments, assumptions and estimation uncertainty can be found in AASB 101.

AASB 101.122 An entity shall disclose, along with its significant accounting policies or other notes, the judgements, apart from those involving estimations (see paragraph 125), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

AASB 101.125 An entity shall disclose information about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

- their nature
- their carrying amount as at the end of the reporting period.

Significant judgments usually relate to applying accounting standards, where management has had to exercise significant judgement in determining the accounting treatment and typically relate to how something is characterised. For example:

- Assessment of control under AASB 10, or significant influence under AASB 128 Investments in Associates and Joint Ventures (AASB 128)
- Lessor classification as finance or operating lease
- Whether lease options are reasonably certain to be exercised
- Classification of financial instruments
- Risk of default in estimating expected credit losses.

Sources of estimation uncertainty are typically related to the measurement of assets and liabilities. For example, uncertainties in relation to:

- Determining fair values or recoverable amounts of assets using estimated future cash flows, risk adjusted discount rates etc)
- Actuarial assumptions for defined benefit superannuation obligations
- Assumptions about the timing and amount of future cash flows in measuring provisions and contingencies
- Forward looking estimates in expected credit losses
- Estimates of future variable revenue.

The disclosure requirements for significant judgements and estimation uncertainty are separately distinguished in AASB 101. In the current COVID-19 environment, it is likely there will be:

- New matters that have material assumptions, estimates and management judgements
- Major revisions of existing matters, due to significantly changed assumptions and uncertainties.

It will therefore be particularly important to provide as much context as possible for the assumptions and predictions underlying the amounts in the financial statements. Suitable disclosure of a particular matter may address both the requirements to disclose significant judgments and sources of estimation uncertainty together.

It is important to note disclosure is required for those assumptions and sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

Note: Other accounting standards also include specific disclosure requirements that relate to estimates and uncertainties (e.g. AASB 137 or AASB 13). However, compliance with these specific disclosures may not be sufficient to meet AASB 101 requirements. (AASB 101.129 provides expectations around sensitivities which may not be required under a specific standard).

b) Key features of disclosures

Further guidance is provided in paragraphs AASB 101.122-133. This includes examples of the types of disclosures an entity might make.

Disclosures for significant judgments should:

- Be specific to an entity's circumstance
- Include why the judgment was made
- Include why it is significant (i.e. effect on financial statements)
- How the conclusion was reached.

Disclosures for sources of estimation uncertainty should:

- Be specific and explain the nature of the assumption or uncertainty
- Include the carrying amount of the affected assets/liabilities with sensitivity analysis
- Include the expected resolution of an uncertainty and ranges of possible outcomes
- Include an explanation of changes made to past assumptions.

c) Financial instruments

Changes in market prices and cash flow forecasts, as well as greater risks and uncertainties due to COVID-19 may significantly change the fair values of assets and liabilities.

Assumptions regarding inputs to valuations will possibly change and be less reliable due to the economic uncertainty under COVID-19. Agencies will need to disclose any significant changes in assumptions and changes to the reliability of those assumptions.

Increased uncertainty in valuation assumptions due to COVID-19, could mean assets or liabilities move between Level 2 and Level 3 where unobservable inputs have become significant. For example, a counterparty may encounter financial difficulties and where credit risk may not have been a significant input in previous years, measurement may now require a credit risk adjustment which is not based on observable inputs (as it reflects the credit risk specific to the counterparty).

Agencies may need to make disclosures if their business model for managing financial assets has changed as a result of COVID-19.

Additional disclosures may be required in respect of changes to how an Agency manages changes in risk exposures. For example:

- Increased credit risk, due to counterparties encountering financial difficulty, may prompt management to introduce new credit limits to manage credit risk.
- The current environment may increase exposure to liquidity risk and require changes to how an Agency manages settlement of its financial liabilities.

Agencies may have new types of financial instruments as a result of Government's response to natural disasters or COVID-19. For example, new financial guarantee contracts.

Agencies will need to include disclosures where a contingent liability has changed to a liability.

Substantial modifications to the terms and conditions of a financial liability, require derecognition of this original financial liability and a new financial liability to be recognised at fair value. This new financial liability will be measured using a revised discount rate. This will result in a gain or loss recognised in the profit or loss and may significantly change the carrying value of that liability. Disclosure of such circumstances and assumptions would be required.

d) Fair value of property, plant and equipment (PPE)

The guidance in this section is written for property, plant and equipment (PPE), but the same principles apply to valuations of other non-current physical assets, such as investment properties. The guidance applies to every financial year but is particularly relevant in the current environment.

In the COVID-19 environment there is the potential for volatility and declines in the market conditions, that underly assumptions in valuations of non-current physical assets. There is also likely to be increased uncertainty in respect of valuation assumptions and, in some instances, less available data. Agencies will need to disclose information about changes in the reliability of assumptions; and significant changes in assumptions.

Other assumptions that may change significantly include:

- discount rates
- adjustments for risk
- market data.

Agencies should be alert for information that arises after 30 June, that could provide evidence fair values have changed materially from current carrying values.

- If such information relates to conditions that existed at 30 June, this will likely be an adjusting post-balance date event
- If such information relates to conditions that arose after 30 June, this will likely be a non-adjusting post-balance date event. There are disclosure requirements for material non-adjusting events.

Valuation reports should include sufficient evidence to support the approach and professional judgements of the valuer. For example: published data sources data, valuer adjustments for unobservable inputs, uncertainties associated with assumptions. In particular, if the current environment means a valuer uses different evidence; assumptions move; or changes the valuation approach, detailed evidence will be needed for audit.

It is particularly important this year that agencies engage with their valuers throughout the year-end process. Agencies should discuss the impact of Covid-19 with their valuers and involve their audit teams up to the dates agency and TSSA financial reports are signed.

Agencies should advise Treasury immediately of any concerns. For example:

- Potential lack of audit evidence in reports
- Need to formally perform revaluations out-of-cycle.

e) PPE not subject to cyclical formal comprehensive valuation

There are additional risks associated with PPE that is 'out-of-cycle' for the 3 or 5 years requirements in *TPP 14-01 Valuation of Physical Non-Current Assets at Fair Value* (TPP 14-01). Unexpected market volatility may mean agencies need to switch from their existing plans. For example, if a management assessment at Early Close indicated no revaluation is necessary, but conditions change by 30 June.

Management assessments of whether a revaluation is necessary should be performed at Early Close and updated at 30 June. These should then be monitored until just before sign-off of agency and TSSA financial statements. If updated management assessments indicate a revaluation is required, action will be needed immediately to perform a management valuation or a formal valuation.

f) Impairments

Natural disasters and COVID-19, may in some instances result in impairment through damage, obsolescence, loss of demand or service potential. Additional disclosures may be necessary to explain why assets were impaired or not impaired. Agencies should consider *AASB 136 Impairment of Asset* (AASB 136) in the current environment.

Assumptions regarding inputs to recoverable amounts estimates will possibly change and be less reliable in the circumstances. Agencies will need to disclose information about the reliability of assumptions; and significant changes in assumptions. For example, where there is uncertainty in cash flow projection assumptions used in value-in-use calculations, additional disclosures on the sensitivity of carrying amounts to changes in assumptions may be appropriate. Additional line items may be appropriate to present impairments for specific asset classes e.g. investments, PPE etc.

g) Provisions and other liabilities

When applying AASB 137 Agencies should review the assumptions and estimates (including relevant discount rates) used in estimating provision. Agencies must also carefully assess liabilities and recoveries arising under insurance type arrangements.

h) Onerous Contracts

Agencies should review existing contracts and recognise a provision for onerous contracts, where a contract exists in which the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to be received under it.

i) Inventories

Inventories, other than those held for distribution, may have lower net realisable values (NRVs) in the current economic environment. Where NRV is lower than the inventory carrying value, an adjustment to NRV is required.

Inventories held for distribution may experience a loss of service potential as a result of COVID-19. Agencies will be required to disclose significant judgments applied in determining whether there has been a loss of service potential. e.g. the basis on which any loss of service potential is assessed, such as current replacement cost or functional or technical obsolescence.

Disclosure of assumptions and the basis for estimates, in measuring the loss of service potential, will be required.

j) Superannuation Provisions

Assumptions and inputs to actuarial estimates are likely to have changed significantly.

Disclosures will be required in respect of significant changes to assumptions and estimates e.g. discount rate, CPI, salary increases, mortality rates etc. Assumptions and estimates relating to defined benefit superannuation obligations will be provided to Agencies by the actuary.

Agencies should consider disclosures around increased uncertainties relating to assumptions. For example, where there is increased uncertainty relating to an assumption, sensitivity disclosures may need to include additional or a broader range of scenarios.

k) Expected Credit Losses (ECL)

Credit risk has likely increased in the current environment. Some Agencies will have changed terms and conditions with counterparties. For example, offering deferred payment terms to counterparties.

The use of historical data to estimate future expected collections, will need to be reassessed.

Historical data is likely to be far less reliable in the current economic environment. Where historical data is used, adjustments for the future are likely to change significantly.

Disclosures regarding increased uncertainty over the collection of receivables may be appropriate. Agencies will need to disclose sources of estimation uncertainty and any changes to the methodology and assumptions for determining impairment of receivables. For example changes in the ECL that result from moving from the 12-month ECL basis to the Lifetime ECL basis.

l) Post Balance Date Events

It is expected that decisions taken to address COVID-19 are likely the relevant events under AASB 110, rather than the pandemic itself. Disclosure where significant judgement is exercised in determining whether an event is adjusting/non-adjusting.

m) Going Concern

If any Agencies have their continued existence put into material doubt, as a result of natural disaster or COVID-19, this should be disclosed and in extreme cases, the financials restated to recoverable values. This assessment should take into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The assessment needs to be made at the date the Agency's financial report is issued.

n) Key Challenges

Disclosures will be unique to the individual circumstances of your Agency – the nature and extent of the information provided will vary according to the nature of the assumption and other circumstances.

Disclosure around estimation uncertainty is sometimes described as 'an art not a science' and it is important to prepare disclosures to provide sufficient information to allow the users to understand how these assumptions and judgments were formed and why.

It will be important to look ahead and consider disclosures before year end, as this will assist in identifying areas where assumptions/estimates may have significantly changed from previous financial years or are subject to significant uncertainty. This will allow time to challenge and gather further information.

Where applicable, Agencies should also consider disclosing the reasons assumptions and estimation uncertainty have not materially changed due to COVID-19, where users of financial statements might reasonably expect there to be material changes.

2. Review and signoff

- i. The relevant Agency officers must review and approve the Prime Data Return, Financial Statements, Supplementary Returns and any additional returns specified in the Treasury Policy Paper prior to submission to NSW Treasury. The information in the Prime Date Return must agree with the financial statements submitted for audit.
- ii. The Agency must fully reconcile all general ledger accounts, independently reviewed and approved with all analytical work performed to support the reconciliations for both accuracy and completeness.
- iii. The relevant Agency officers must review and approve the accuracy of the Crown Data Returns to NSW Treasury prior to submission.

3. Correction for errors to submitted data

The Agency must advise Treasury of all subsequent adjustments and/or errors (corrected or uncorrected) to the financial statements greater than \$5 million (please refer to the Treasury Policy Paper for further details) so that the Total State Sector Accounts can be assessed for revision.

While \$5 million might or might not be material to an Agency, the \$5 million threshold will assist Treasury to assess those matters that individually, or collectively, could materially impact the State's consolidated financial statements.

The Agency is required to complete, including nil returns, and email [Appendix B](#) 'Revisions to Prime Data for Changes in Financial Statements and Note Disclosures' to Agencyinfo@treasury.nsw.gov.au by 31 August 2020. Any errors or adjustments identified subsequently must 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 must be corrected in the Agency's Final Annual Return.

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.

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.

4. Prior year data

The Agency may only change comparative information if the change is required by the Australian Accounting Standards, for example due to a change in accounting policy or as a correction of a material error in a prior period. Note, Australian Accounting Standards require that all changes resulting from revisions to estimates must be made prospectively, and not retrospectively adjusted.

The prior year annual financial statements must agree to the prior year Prime data. 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.

Changes to the prior year Prime data must be endorsed by your management, and a copy provided to the Audit Office of New South Wales 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.

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 2019-20 Annual Returns to Treasury. This limited impact is due to the staged approach being taken to implementation of the GSF Act and transitional measures.

The GFS financial reporting provisions will be delayed due to the COVID-19. As such, Agencies should prepare their financial statements for the 2019-20 financial year in accordance with the PFAA Act. The 2020-21 financial year will now likely be the first year for which Agencies have to prepare their financial statements in accordance with the GSF Act.

This means that there will be no change to the wording of the 2019-20 attestation statement which Agencies provide to Treasury when submitting their 2019-20 annual return, as compared to the 2018-19 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 2018-19.

Stewart Walters
Chief Financial and Operations Officer
NSW Treasury

Further Information: Finance and Operations Group
Email: Agencyinfo@treasury.nsw.gov.au (with Agency Prime number, Agency Name and 'Annual Return 2020' in the Subject)
NSW Treasury website: www.treasury.nsw.gov.au/

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Appendix A: Year-end Timetable

Annual Return Procedure	2020 ¹
Agencies to provide Appendix E – Valuation of LSL liability as at 30 June 2020 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
Agencies submit their Final Return on Emerging Accounting Issues to Treasury as per TD19-02 Agency guidelines for the 2019-20 Mandatory Early Close	22 June
Crown to make final appropriations payments to Agencies	24 June
<p>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.</p> <p>2. Final day for Agencies to send contributions to the Agency Funded Crown LSL Pool.</p> <p>Unclaimed monies and amounts no longer required are to be deposited in the Consolidated Fund</p>	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.	8 July
<p>1. Agencies operating unpaid cheque accounts on behalf of the Consolidated Fund must send reconciliation working papers to the Crown Entity.</p> <p>2. Final LSL adjusting journal to Crown Entity</p>	13 July
Final day for Crown Entity to process non-LSL adjusting journals	14 July
Crown Entity to email June ledger printouts to Agencies	15 July
Agencies to provide the Crown Entity with; Appendix C – Certificate of Reconciliation with the Crown Entity Ledger Appendix D – Crown Data Return	24 July
Agencies to submit 30 June 2020 Prime return (Period 12, Scenario SA0099) consistent with the draft financial statements to Treasury.	31 July²
Agencies to submit 30 June 2020 Annual Financial Statements to the Audit Office (including supporting work-papers for the Audit Office)	5 August²
Agencies to provide Preliminary Annual Return (Appendix F(i)), and the completed Supplementary Return to Treasury	5 August
Emerging Issues Resolutions (Appendix I) to Treasury	5 August
Agencies to provide the completed Accounting Issues Resolution Papers to Treasury, if applicable Appendix J	5 August
The Crown Entity to provide preliminary annual financial statements to Treasury	13 August

Annual Return Procedure	2020 ¹
The Crown Entity to provide preliminary annual financial statements to the Audit Office	17 August
The Crown Entity to provide the completed Supplementary Return and Appendix F(i)	17 August
Additional variance queries spreadsheet Appendix M(i) provided to Agencies and ABP analysts	17 August
Additional variance queries spreadsheet Appendix M(i) due back from Agencies and ABP analysts	21 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.	31 August³
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 2020 reporting period (post balance sheet events)	Within one day of the Agency becoming aware of the issue
Agencies to submit 30 June 2020 Prime return (Period 13, Scenario SY0099) and Supplementary Return Form 5a consistent with the signed audited financial statements to Treasury.	Within 3 business days of the later of Prime being opened for Final returns and Receipt of the Independent Auditor's Report

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 2019-20 Prime Data for Changes in Financial Statements and Note Disclosures

Due date for first return by: **31 August 2020**

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 31 August 2020.**

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 2019-20 financial statements? Yes No

5. Date Audit Office was notified of the issue?

6. Resolution action?

7. Resolution date?

8. Is audit in agreement with management's plans? Yes No

If no, explain.

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

10. 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

11. 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)** //2020

Appendix C: Certificate of Reconciliation with the Crown Entity Ledger

Due date by: **24 July 2020**

Email: 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 2020.

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 15 July 2020 **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: **24 July 2020**

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 31 May 2020.

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	Stephen Atkinson	9228 4435
2	Lakshana Arian	9228 4203
3	Charles Cheung	9228 4604
4 & 5	Mitra Karmakar	9228 5839
6	Stephen Atkinson	9228 4435

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
- d) Other revenue to the ConFund (provide details).

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.

According to the Treasury Circular *TC 19-07 Revenue AASB 15 and AASB 1058* (TC 10-07), Transition Elections, Agencies are to adopt the modified retrospective option, that is the cumulative effect of initially applying AASB 15 and AASB 1058 are recognised at the date of initial application, i.e. 1 July 2019. As such, Agencies must calculate and report to the Crown Entity the cumulative amount as at 1 July 2019 for administered revenues impacted by the new accounting standards (separately from that for commonwealth revenues included in section 6).

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 2020

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. 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
- 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.

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 2020.

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 Employee Benefits (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 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.

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 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

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 2020. Agencies should contact Mitra Karmakar (9228 5839) to agree these values before submitting the Return.

6. Commonwealth funding with sufficiently specific performance obligations

AASB 1058 and AASB 15 are effective for not-for-profit entities for the years beginning on or after 1 January 2019. Under these new Accounting Standards, revenue from federal funding with sufficiently specific performance obligations attached is no longer recognised on cash basis. Adjustments are required to recognise revenue from such funding in line with the recipient entity's progress of satisfying the relevant performance obligations.

When such funding is distributed to departments/Agencies through the appropriations process, the adjustments are posted in the financial statements of Crown Entity instead of the funding recipient Agency. However, it is the recipient Agency's responsibility to identify the Commonwealth funding with specific performance obligations with reference to the funding agreements. Agencies are required to calculate revenue adjustments arising from these funding from the State or General Government Sector perspective, and to report to the Crown Entity in the Crown Data Return.

According to the Treasury Circular TC 19-07 AASB 15 and AASB 1058, as part of transition elections, Agencies are to adopt the modified retrospective option, that is the cumulative effect of initially applying AASB 15 and AASB 1058 are recognised at the date of initial application, i.e. 1 July 2019. As such, Agencies must calculate and report to the Crown Entity the cumulative impact amount as at 1 July 2019 for those Commonwealth funding with sufficiently specific performance obligations.

Agencies must also calculate the impact on revenue from such Commonwealth funding during 2019-20 and report the cumulated deferred revenue adjustments as at 30 June 2020.

Agencies must provide detailed workings in support of the amounts provided in the Crown Data Return. The deferral revenue (current and non-current) as reported in the Crown Data Return should agree with the Prime (State Revenue Agency).

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

Due date: [17 June 2020](#)

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 will be emailed to Agencies by 31 May 2020.

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 5 August 2020)

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 2020 reporting information into Period 12 in Prime (Scenario: SA0099 – June 2020). 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 20-01 issued by Treasury and in accordance with Accounting Standards and Treasury’s mandates Circular TC20-01. 	
<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 2018-19 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 (AASB 15, AASB 16, AASB 1058, AASB 1059) 	
<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 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 outline and submit to Treasury the management judgements, assumptions undertaken, estimates and the basis of treatment update the ledgers, financial statements and note disclosures to reflect the treatment 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 2020 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 that all interAgency balances and transactions have been broken down by Agency and interAgency balances have been confirmed with contra Agencies 	
<ul style="list-style-type: none"> Confirm all key account balances have been reconciled 	
<ul style="list-style-type: none"> <i>For Principal Cluster Agency only:</i> Confirm review and assessment of consistency in accounting treatment for new/amended accounting treatment among cluster Agencies 	
<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) 	
<ul style="list-style-type: none"> Agree all equity transfers > \$5 million with the counterparty 	
<ul style="list-style-type: none"> 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)**

...../ 08 /2020

Appendix F(ii): Final Annual Return Checklist

Email: agencyinfo@treasury.nsw.gov.au

Agency Name: Agency No. (Prime)

Annual Procedures - <i>Forward to Treasury within one day of receiving your Independent Audit Report from the Audit Office</i>	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 - <i>Forward to Treasury within the later of three days of receiving your Independent Audit Report and the reopening of Prime for P13 re-submissions.</i>	For yes "✓" and no "x"
<ul style="list-style-type: none"> Submit Final Prime Data Return for Period 13 in Prime. (Scenario: SY0099 – June 2020). Including "ES" Agency data where applicable. <p>(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)</p>	
<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 5a 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)

...../...../2020

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 P12 Actuals
 - **Year:** 2020
 - **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 2020
 - Set the **Category:** Actual TB (trial balance only) or Actual TB MOV (if your upload file contains the trial balance and movement schedules)
- Upload data to agree to your financial statements
- 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 2019-20 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 P13 Actuals**
 - **Year: 2020**
 - **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 2020
 - Set the Category: Actual AUDITED TB (trial balance only) or Actual AUDITED TB Mov (if your upload file contains the trial balance and movement schedules)
- Upload data to agree to your financial statements
- 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 2019-20

Below is a list of all new/revised Accounting Standards applicable for the first time in 2019-20.

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities: Not-for-profit only

AASB 15 supersedes *AASB 118 Revenue*, *AASB 111 Construction Contracts* and the related Interpretations. AASB 1058 supersedes the majority of *AASB 1004 Contributions*. The scope of AASB 1004 is now limited mainly to administrative arrangements and contributions by owners.

Not-for-profit entities (including the public sector) need to determine whether a transaction is a contract with a customer (accounted for under AASB 15) or a donation (accounted for under AASB 1058).

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. 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

AASB 1058 applies to:

(a) transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and

(b) the receipt of volunteer services.

AASB 1058 adopts a residual approach, under which all other relevant accounting standards are applied first, and the residual amount of the asset received is recognised as income. Income arising from a transfer of a financial asset to enable an entity to acquire or construct a recognisable non-financial asset that is to be controlled by the entity shall be recognised when (or as) the entity satisfies its obligations under the transfer.

The standards permit either a full retrospective or a modified retrospective approach for the adoption. **Treasury mandates a modified retrospective approach.**

AASB 16 Leases

AASB 16 supersedes *AASB 117 Leases* and related interpretations.

Where entity is a lessee, AASB 16 requires most leases to be accounted for under a single on-balance sheet model similar to the accounting for finance leases under AASB 117, except for leases of 'low-value' assets and short-term leases (that is, leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee recognises a liability to make lease payments (that is, the lease liability) and an asset representing the right to use the underlying asset during the lease term (that is, the right-of-use asset). A lessee is required to subsequently recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Where the entity is a lessor, the accounting for lessors under AASB 16 has not significantly changed. However, an intermediate lessor in a sublease is now required to evaluate the lease classification of a sublease with reference to the right-of-use asset instead of the underlying asset of the head lease.

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

AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities

This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events.

The amendments to AASB 9 address the initial measurement and recognition of non-contractual receivables arising from statutory requirements. Such receivables include taxes, rates and fines.

AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments: Not-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 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments

This standard amends AASB 1 to add paragraphs arising from AASB Interpretation 23 *Uncertainty over Income Tax Treatments*.

AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation

This Standard amends AASB 9 to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. This is subject to meeting other conditions, such as the nature of the business model relevant to the financial asset. Otherwise, the financial assets would be measured at fair value through profit or loss.

AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures

This Standard amends AASB 128 to clarify that an entity is required to account for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied, using AASB 9 before applying the loss allocation and impairment requirements in AASB 128.

AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle

The Standard amends:

- (a) *AASB 3 Business Combinations* to clarify that an entity remeasures its previously held interest in a joint operation when it obtains control of the business;
- (b) *AASB 11 Joint Arrangements* to clarify that an entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the business;
- (c) *AASB 112 Income Taxes* to clarify that an entity accounts for all income tax consequences of dividend payments according to where the entity originally recognised the past transactions or events that generated the distributable profits; and
- (d) *AASB 123 Borrowing Costs* to clarify that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings when the asset is ready for its intended use or sale.

AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement

The Standard amends AASB 119 to specify how an entity accounts for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments require an entity to use the assumptions used for the remeasurement of the net defined benefit liability or asset to determine the current service cost and the net interest for the remainder of the reporting period after a plan event occurs. The Standard also clarifies that, when a plan event occurs, an entity recognises the past service cost or a gain or loss on settlement separately from its assessment of the asset ceiling.

AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements (not applicable to NSW government entities)

AASB 1053 Application of Tiers of Australian Accounting Standards establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. This Standard makes amendments to AASB 16 and AASB 1058 to establish reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2). Tier 2 requirements comprise the recognition and measurement requirements of Tier 1 (Australian Accounting Standards) but substantially reduced disclosure requirements in comparison with Tier 1.

AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors

This Standard primarily amends AASB 15 to add requirements and authoritative implementation guidance for application by not-for-profit public sector licensors to transactions involving the issue of licences.

The amendments to AASB 16 clarify that licences that are in substance leases or contain leases, except licences of intellectual property, fall within the scope of AASB 16.

AASB 2018-5 Amendments to Australian Accounting Standards – Deferral of AASB 1059

This Standard amends the mandatory effective date (application date) of AASB 1059 *Service Concession Arrangements: Grantors* so that AASB 1059 is required to be applied for annual reporting periods beginning on or after 1 January 2020 instead of 1 January 2019. Therefore, this Standard also defers the consequential amendments to other pronouncements set out in AASB 1059.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard amends AASB 1, AASB 16, AASB 117, AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and AASB 1058 to provide a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases.

AASB 2019-6 Amendments to Australian Accounting Standards – Research Grants and Not-for-Profit Entities

This Standard amends AASB 15 and AASB 1058 to permit not-for-profit entities to apply those Standards to research grants for annual reporting periods beginning on or after 1 July 2019 instead of 1 January 2019. This will provide an extended implementation period for entities with December year-ends for research grants received. The application of AASB 15 and AASB 1058 to other sources of income is not extended. The option to extend the implementation period applies at the entity level and is not available on an individual research grant basis.

This Standard also makes amendments to Illustrative Examples 4A and 4B accompanying AASB 15 to clarify the analysis of how paragraph 35(a) of AASB 15 applies in respect of research grants and the transfer of research findings. The amendments do not change the requirements of AASB 15 or the conclusions of the Illustrative Examples. A further example, Example 4D, is added to illustrate a case with periodic performance obligations.

AASB 2019-8 Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases

This Standard makes amendments to AASB 16 and AASB 1049 to:

- (a) specify for not-for-profit entities that right-of-use assets arising under concessionary leases can be treated as a separate class of right-of-use assets to right-of-use assets arising under other leases for the purposes of AASB 16; and
- (b) provide an option for a Whole of Government and General Government Sector to measure right-of-use assets arising under concessionary leases at cost or at fair value in subsequent measurements.

Appendix I: 2019-20 Resolution of Emerging Issues previously advised to Treasury as part of the Mandatory Early Close (TD 19-02)

Due date: 5 August 2020

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).

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 2019-20 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? / /2020 or N/A

Signed:	Chief Finance Officer: (Name of CFO)
Agency Contact: (Name)	(Tel)/...../2020

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 and Directions*
- 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)	2019-20	2020-21	2021-22	2022-23	2023-24
Budget Result (-ve worsens)					
Operating Result					
Net Lending					
Financial Statement (-ve worsens)					
Balance Sheet					
Operating Statement					
Financial Impact (\$000)	2014-15	2015-16	2016-17	2017-18	2018-19
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(i): Where to go for help

Prime Questions

Agency Treasury Analysts – General Queries

Andrew Azar	9228 5164
Hugh Wilson	9228 3167
Jane Gu	9228 4450
Mathew Do	9228 3322
Natalie Seal	9228 5744
Anne Bible	9228 4282
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
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Supplementary Return - definitions and classifications

Tatiana Carlisle	9228 4591
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Emerging Issues, Correction of Material Prior Period Errors

Angela Kelly	9228 3352
Mathew Do	9228 3322

Sean Osborn (Accounting Policy)	9228 5932
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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 2020’ in the subject title when emailing to Treasury.

Appendix K(ii): 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

Stephen Atkinson	9228 4435
Lyndal Punch	9228 5881

Liability for Lapsed Appropriations Drawn Down (previously referred to as the Liability for Unspent Appropriations Drawn Down)

Agency Treasury Analyst	Various
Natalie Seal	9228 5744

Long service leave arrangements

Charles Cheung	9228 4604
Mitra Karmakar	9228 5839

Appropriations payments

Angel Yu	9228 5071
Ramesh Nand	9228 3138

Reimbursement of Crown expenses

Angel Yu	9228 5071
Hitesh Shakya	9228 5842

Commonwealth grants

Jin Kang	9228 4150
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Crown accounting policy

Stephen Atkinson	9228 4435
Lyndal Punch	9228 5881

Other correspondence:

Email: Crown_Entity@treasury.nsw.gov.au

Appendix L: Resources/Links

Treasury Resources

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

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

Prime Knowledge Base

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

External Resources

Public Finance and Audit Act 1983

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

Government Sector Employment Act 2013

<https://www.legislation.nsw.gov.au/#/view/act/2013/40/whole>

The Government Sector Finance Act 2018

<https://www.legislation.nsw.gov.au/#/view/act/2018/55/whole>

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>

Appendix M (i): Financial Statement Variance Analysis

Due date: 21 August 2020

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.

All Agencies must complete detailed variance analysis for the year to 30 June 2020, for any variances greater than the lower of 10% or \$50 million. The variance analysis should include:

- Comparison of your Agencies actual 2019-20 financial performance and financial position to the 2018-19 financial performance and financial position
- Comparison of your Agencies actual 2019-20 financial performance and financial position to the original budgeted 2019-20 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 N: 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 2019-20 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 2019-20 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 2018-19 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 2020, you are required to calculate any "Liability for Lapsed Appropriations Drawn Down" (previously referred to as the "Liability to the Consolidated Fund" and "Liability for Unspent Appropriations Drawn Down") as at 30 June 2020.

Further information and contacts

For further Information or clarification on issues raised in the discussion paper, please contact:

Finance and Operations Group, NSW Treasury
Email: Agencyinfo@treasury.nsw.gov.au